هكذا من الأصل

خاص

WEATHER — PARIS: Monday, cold with showers. —3-5 (27-41). Tuesday, cold and cloudy. LONDON: Mon-[illegible] cold and partly cloudy. Temp. —1-5 (30-41). Tuesday, [illegible]. CHANNEL: Moderate. ROME: Monday, cloudy. Temp. [illegible] 30-63). NEW YORK: Monday, rain. Temp. 2-6 (36-43).

ADDITIONAL WEATHER — PAGE TWO

INTERNATIONAL

Herald Tribune

Published with The New York Times and The Washington Post

Abu Dhabi	4.50 Dh	Greece	18 Drs.	Netherlands	1.50 Flor
Algeria	2.75 Din.	Iceland	150 I.Kr.	Nigeria	[illegible]
Austria	12 S.	India	Rs. 6	Norway	[illegible]
Bahrain	0.400 Din.	Iran	70 Rials	Oman	0.425 Rials
Belgium	20 B.Fr.	Israel	I£14.00	Portugal	25 Esc.
Cyprus	200 Mils	Italy	450 Lire	Qatar	4.00 Riyals
Denmark	3.50 D.Kr.	Jordan	0.300 Fils	Saudi Arabia	3.50 Riyals
Dubai	4.50 Dh	Kenya	Shs. 8.00	Spain	40 Ptas.
Egypt	40 P	Kuwait	0.300 Fils	Sweden	2.75 S.K.
Eire	22 P	Lebanon	£2.75	Switzerland	1.70 S.Fr.
Finland	2.50 F.M.	Libya	L.Din 0.25	Tunisia	2.25 Din.
France	3 F.	Luxembourg	20 L.Fr.	Turkey	T.L. 15
Germany	1.50 D.M.	Madeira	27.5 Esc.	U.S. Mil. (Eur.)	$0.35
Great Britain	20 P	Morocco	3.00 Dh	Yugoslavia	20 D.

29,796 ** PARIS, MONDAY, NOVEMBER 27, 1978 Established 1887

U.S. Completes Removal

914 Bodies Counted In Jonestown Camp

By Fred Barbash

GEORGETOWN, Guyana, Nov. 26 (WP) — U.S. soldiers yesterday completed the removal of bodies from Jonestown, discovering that 914 persons died there on Nov. 18 when cult leader James Jones led them to commit suicide.

The higher death toll was described as a preliminary final count. "It should be pretty close," said Lt. John Moscatelli, the U.S. spokesman, said as the final helicopter flew out of here yesterday afternoon.

With the Jonestown campsite cleared of bodies, authorities here said that there was no evidence of any mass escape into the surrounding forest, a possibility that had retained a dim hope among survivors and relatives. There was no evidence that any force was used on the newly discovered victims, according to spokesmen.

The bodies had blanketed the campsite in layers that in some places were three deep. The soldiers, protected by surgical masks and rubber gloves, would remove one body only to discover another under that and still another under that. That is why the count kept changing.

All Accounted For

The body count of 914 more than accounted for the number of cultists of the People's Temple that Guyanese officials believed were living in their country, although no one seems certain of the actual number.

By current estimates, no more than 32 of the men, women and children living at Jonestown escaped last week's violence.

Most are thought to have died in the mass ritual suicide that followed a cult ambush on an inspection party led by Rep. Leo Ryan, D-Calif., as it was pepraring to leave from a nearby airstrip. Most took poison; at least three, including the cult leader, Mr. Jones, reportedly died of gunshot wounds.

In addition, there have been persistent but unconfirmed stories that still others who may have resisted suicide were shot by cult loyalists.

A survivor said Friday that he witnessed more shootings than are generally believed to have occurred. Another cult member, Tim Carter, said that he watched weeping women line up to receive the poisoned Kool-Aid mixture being distributed to members of the People's Temple and that he saw his own wife among them with her dead child in her arms.

But during Mr. Carter's comments, another cult member burst in and accused him of lying.

[Mr. Carter and his brother, Mike, interrogated for three days by Guyanan police and then released from a Georgetown jail yesterday, said they fled the commune as cult members began killing themselves, United Press International reported. They were ordered, the brothers said, by a cult official to take a large suitcase and deliver it to the Soviet Embassy in Georgetown. They did not know the suitcase was stuffed with an estimated $500,000 in cash, gold, diamonds and security notes until they opened it after they had left the the camp, they said. They said the suit-

(Continued on Page 2, Col. 5)

Ex-Aides Describe Young Guru As Similar to Guyana Cult Leader

DENVER, Nov. 26 (UPI) — Two former assistants of the Guru Maharaj Ji have warned his estimated 15,000 American followers that they risk a plight similar to that of devotees of the Rev. James Jones in Guyana.

Robert Mishler, who served as the guru's personal secretary and as president of his Divine Light Mission for six years, and John Hand Jr., a former vice president of the organization, said Friday that Maharaj Ji had displayed behavior patterns like those of Mr. Jones.

"It's possible something like what happened in Guyana could come about as a result of him [Maharaj Ji] being threatened," Mr. Hand said, calling the "similarities of behavior" between the 20-year-old Indian guru and Mr. Jones "striking."

The two men said Maharaj Ji had spoken frequently of building a city similar to Mr. Jones' Guyana commune and was fascinated by weapons and gangsters.

"He fantasized about building such a city," Mr. Hand said. "And there is evidence everywhere he is capable of doing it."

Hundreds of anti-shah protesters turned out yesterday in Tehran to pay tribute to those killed in recent riots. But troops guarding graves prevented them from holding a demonstration.

Associated Press

Confident of Agreement

Sadat Unsure Pact Will Meet Deadline

CAIRO, Nov. 26 (UPI) — President Anwar Sadat, citing problems in peace-treaty negotiations with Israel, said today he was not sure a peace pact could be reached before the target date of Dec. 17.

Mr. Sadat said the dispatch of a report on the Egyptian position to President Carter will be delayed until Tuesday because certain amendments must be made in the text.

Mr. Sadat spoke to reporters on the lawn of his vacation home north of Cairo after meeting with a high-level committee charged with drawing up an Egyptian "assessment" of the situation in the deadlocked negotiations.

At one point Mr. Sadat laughingly pleaded with reporters, "Please let me take a walk. I am an old man and I need it. Otherwise, I suffer heart [pains]."

The committee, chaired by Vice President Hosny Mubarak, has been assessing the situation in the negotiations, now in their seventh week.

'Linkage' Deadlock

The talks are deadlocked over the issue of "linkage" to progress in resolving the Palestinian problem. Another dispute centers on Egypt's commitments under a joint Arab defense pact that obligates it to assist other Arab states militarily if they came under attack.

Mr. Sadat was asked if the treaty could be signed by Dec. 17, the target date mentioned in the Camp David framework.

"I cannot set a date," he replied, "but I am sure of one thing, sooner or later we shall be signing an agreement . . . How long it will take, I do not know."

Mr. Sadat, who was speaking in English, then added in Arabic: "This does not mean that I am pessimistic, not at all, but there are problems which will take some time."

Mr. Sadat said he read the "draft

(Continued on Page 2, Col. 1)

U.S. 'Astonished'

Israel Prints Text of Annex On Restoring Ties to Egypt

By William Claiborne

JERUSALEM, Nov. 26 (WP) — The Israeli government yesterday released the text of the core of its proposed peace treaty with Egypt — the normalization of relations after three decades of an implicit state of war.

Entitled "Annex III," the document spells out for the first time publicly the essence of what both countries have been striving for in 12 months of on-and-off negotiations.

It provides for borders opened to trade and tourism; an end to economic boycotts; an exchange of embassies; cultural exchanges; free shipping on the Suez Canal; cross-border aviation traffic; highway, rail and telecommunications links; and a full range of legal and political ties between the two historically hostile peoples.

Almost parenthetically, the annex addresses in its next-to-last article what once was thought impossible by two countries that have fought five bitter wars — the mutual respect of each others' human rights and freedoms.

"The parties affirm their commitment to respect and observe human rights and fundamental freedoms for all. And they will promote these rights and freedoms in accordance with the United Nations charter," the annex declares.

Characteristic Mistrust

But, chracteristically, the sweeping agreements on mutual trust and friendship were made public amid no small measure of acrimony and mistrust.

U.S. State Department spokesman George Sherman was quoted by Radio Israel as saying he was "astonished" that Israel had publicized the draft compromise treaty and the annex covering the normalization of relations.

Israel, in turn, retorted through high-ranking officials that it was Egypt, after all, that released the treaty text late last week in the semi-official Cairo newspaper Al Ahram.

Israeli Foreign Minister Moshe Dayan said last night that the release of the annex dealing with normalization of relations was a natural sequel to that.

The reaction by Mr. Sherman, Mr. Dayan said, apparently resulted form a "misunderstanding" of what was to be published by each country in advance of a signing. (Even earlier, on Tuesday, the independent Israeli newspaper Ha'aretz published what it said were the main points of the draft.)

Israel's deputy prime minister, Yigael Yadin, added some fuel to the controversy last night by accusing Egypt of "mutilating" its text of the draft treaty by omitting a key sentence from the "priorities

(Continued on Page 2, Col. 1)

Moslems Hold Protests

13 Reported Killed In New Iran Clashes

TEHRAN, Nov. 26 (UPI) — At least a dozen deaths were reported around Iran today from clashes between government forces and Moslems angered by the desecration of the nation's holiest shrine in Mashhad by soldiers.

At least nine persons were believed dead in Gorgan, 256 miles northeast of Tehran, two at Kangavar in western Iran and two policemen were reported killed at the ancient capital of Isfahan in the center of the country.

Political sources said that Gorgan, on the Caspian Sea, was in flames in many areas after rioters set fire to government and other buildings, and to police and fire trucks trying to reach the flames.

A political source said that there might be as many as 35 deaths in Gorgan. There was no confirmation of the figure.

Western diplomatic sources said that in Isfahan two policemen were killed, apparently shot by demonstrators who had seized their weapons.

The sources said that many buildings in Isfahan were set ablaze, including government property, private offices and homes. Telephones and electric power were knocked out by demonstrators.

Curfew Increased

Martial law enforcers increased the Isfahan curfew by four hours. It had been from 11 p.m. to 5 a.m. and now is from 8 p.m. to 6 a.m.

Thirteen persons were reported wounded in the clashes in Kangavar, including the chief of the local cultural department.

The clashes occurred after the shah's soldiers backed away from a much bigger showdown with about 1.4 million angry Shiite Moslems in two holy cities.

Religious leaders had ordered a national general strike and a day of mourning today, saying that troops had pursued demonstrators at Mashhad Tuesday into the courtyard of the shrine and damaged it with gunfire.

At least one person was killed and several wounded in the riots on Tuesday, one of many throughout Iran in the battle between Shah Mohammed Reza Pahlavi and religious leaders demanding his abdication.

Clergymen in Mashhad said that martial law officers had asked religious leaders to abandon the day of mourning, but they refused and advised the army to pull its men out of the holy northeastern city.

When the huge mourning processions formed this morning, there were no soldiers in the streets of the city or near the shrine.

Virtually the entire 700,000 population of Mashhad joined the protest parade and an estimated half a million pilgrims trekked into the city from outlying towns and villages.

Clerical sources said troops also withdrew from the other holy city of Qom, 80 miles south of Tehran, this morning where a similar protest parade was held by 200,000 demonstrators.

Massed around the Mashhad shrine bearing black mourning banners, the Shiite Moslems, who include virtually all Iran's 34 million persons, heard recitations from the Koran relayed through 60 loudspeakers.

Religious leaders, Sheikh Abbas Tabasi and Abdul Karim Hashemi-nejad, then spoke to the crowd, demanding substitution of the military regime by a government based on the tenets of Islam.

200 Injured

Anti-Shah Protesters Riot in W. Germany

FRANKFURT, Nov. 26 (AP) — Student rioting triggered yesterday by a demonstration against Shah Mohammed Reza Pahlavi of Iran left 200 persons injured, 12 arrested and property damages of more than $100,000, police said today.

At least 100 policemen were hurt in the street fighting following a march through central Frankfurt by 8,000 Iranian, Turkish and West German students protesting the shah's regime and condemning West German and U.S. ties to his government.

About 1,000 marchers broke away from the parade and tried to storm the U.S. consulate near the Frankfurt University campus, injuring 70 police guards.

"We feared for our lives," one of the injured auxiliary policeman said after reinforcements came to their aid.

About 500 police moved in with water cannon and nightsticks to repulse the attackers at the front gate of the building before they could cause any damage, consulate spokesman, William Pugh, said.

In University District

The rioting spread through the university district. Windows in banks and other business were shattered, traffic lights and signs uprooted, telephone booths demolished and several cars set afire.

The rioters destroyed a construction site, erected street barricades and stoned the district police precinct. It was the worst street violence in the city in years, police said.

Police chief Knut Mueller said the violence caught authorities by surprise and that not enough police were on duty to prevent the rioting.

The march, organized by the Iranian Students Confederation in West Germany, had been approved by Frankfurt officials after the leaders promised to keep it orderly.

Mr. Mueller blamed the leftist-led student government at Frankfurt University for encouraging the violence by passing out handbills reading: "The more who come the better. The demonstration should not only have a lot of people but also remain unforgettable in other ways."

A Maoist group, the Communist Federation of West Germany, played a prominent role in the violence, he said, adding that about half the rioters were foreigners.

Millions in Iran Said Sent to Foreign Banks

TEHRAN, Nov. 26 (UPI) — Nearly $538 million was sent out of Iran into foreign bank accounts during September and October by members of the royal family, military leaders and officials facing corruption charges, central bank workers said today.

A five-page statement issued by the workers during a protest strike that began yesterday said that a total of $1,889,920 had been sent abroad through personal transfers.

The statement added that an unknown amount left the country in commercial transfers.

And $536 million was sent into French, U.S. and Swiss accounts but codes were used to hide the senders' identities, the statement said.

The workers said that the total represented only transactions of 100 million rials ($1.4 million) or more.

By comparison, Iran's annual oil revenues is $20 billion.

Associated Press

The bodies of a man, woman and child are photographed in Jonestown by pool photographer Frank Johnston of the Washington Post. Note the identification tag on the left ankle of the child.

But Wants Promise on Plutonium Use

U.S. to Allow French Atomic Sale to China

By Thomas O'Toole

WASHINGTON, Nov. 26 (WP) — The White House has agreed to let France sell China a U.S.-designed nuclear power plant if China agrees not to extract plutonium from the plant's spent fuel to make a nuclear weapon.

France is still far from reaching such an agreement with China, sources said yesterday, but negotiations between the two countries have intensified in recent weeks in the hope that at least a tentative agreement will be reached before the end of the year.

Talks have been under way for at least six months between France and China on the sale by France of at least one 900,000-kilowatt nuclear power plant. The sale would be made by Framatome, the French nuclear contractor, which has the technology to build the plant under license agreement with Westinghouse Electric Corp., the world's largest supplier of atomic power plants.

Westinghouse itself cannot sell China a nuclear power plant because the Chinese would never agree to conditions of such a sale required by the U.S. Nuclear Nonproliferation Act, which President Carter signed into law last March.

That law requires that the United States be allowed to inspect all nuclear facilities operated by a country asking for an export license, to make sure plutonium is not diverted out of any spent fuel.

France has no such law, but it needs U.S. agreement to export the technology it has under license from Westinghouse. The Carter administration has told France that it will grant export permission only if the French can win guarantees from the Chinese that the technology will be used only for peaceful purposes.

China has been reluctant to make such promises, in part because it does not want any foreign eyes "spying" on its nuclear developments. China possesses nuclear weapons and has been testing them in the atmosphere.

If France and China can agree to terms that prevent plutonium extraction without inspections, the United States will probably agree to allow the French sale. While final White House approval is based on a more complex set of conditions, the basic stumbling block is the safeguards issue.

Should France fail to get China's guarantees, then the sale of nuclear power to China could come from Canada or West Germany. Both countries are understood to be eager to sell nuclear power to China and neither country is bound up in license agreements the way France is with Westinghouse.

The French are understood to have the inside track on the sale, sources said, because the Chinese prefer the Westinghouse nuclear design to either the German or Canadian design. Presumably, China could also buy enriched uranium directly from France to fuel the plant. It could not do so from Canada or West Germany.

It is not known whether U.S. Energy Secretary James Schlesinger discussed the sale on his recent trip to China, but observers presume he did. Just what Mr. Schlesinger may have recommended to the White House on the sale, if he recommended anything at all, is not clear.

Opposition to the sale of nuclear power to China has come from the Pentagon and from Congress, but not necessarily for the same reasons. The Pentagon has opposed the sale on grounds the Chinese can copy reactor, pump and valve designs to produce nuclear power for submarines.

Some members of Congress oppose the sale of nuclear energy to China because China still tests nuclear weapons and refuses to become a party to the nonproliferation treaty banning the spread of nuclear weapons. China has also shown no interest in joining the International Atomic Energy Agency, which polices the spread of nuclear weapons among member nations.

China is understood to want to buy one and probably two nuclear power plants, each of them capable of generating 900,000 kilowatts of power. At today's prices, one plant would represent a sale worth at least $500 million and two would top $1 billion. Just where China wants to locate nuclear plants is unknown, but the first probably would be near Peking or Shanghai.

Turnout Heavy In Indian Vote

NEW DELHI, Nov. 26 (Reuters) — Voting was heavy today in the northeastern Indian constituency of Samastipur in a parliamentary by-election that will test the popularity of former Prime Minister Indira Gandhi.

More than 12,000 armed police guarded polling stations in the Bihar state constituency, where clashes were reported today after tense and bitter electioneering. Mrs. Gandhi, appearing confident after her personal triumph in a by-election last month, campaigned vigorously for her Congress Party's candidate, Mrs. Tarkeshwari Sinha, a former deputy finance minister.

The ruling Janata Party, which won the Samastipur seat with a huge majority in the national elections last year, has nominated Ajit Kumar Mehta, a little-known college lecturer.

Crowds Ask Foreigners About Democracy

Teng Defends Hua, Urges Unity

By Jay Mathews

HONG KONG, Nov. 26 (WP) — Chinese Deputy Premier Teng Hsiao-ping responded today for the first time to Peking's growing protest movement with an endorsement of "stability and unity," a significant sign of official concern over wall posters appealing for democracy in China.

While Chinese and foreigners in Peking continued to hold extraordinary street seminars on human rights, Mr. Teng attempted to quiet reports of a power struggle by defending the reputation of Hua Kuo-feng, the premier and Communist Party chairman. The defense was made in a lengthy interview with visiting Japanese politicians.

Mr. Teng said that Mr. Hua was not responsible for an unpopular decision to suppress an April 5, 1976, demonstration in Tienanmen Square that led to a defeat for Mr. Teng and his pragmatic social and economic policies. Mr. Teng told the Japanese that two April, 1976, central committee resolutions that censored Mr. Teng and promoted Mr. Hua might have to be modified, however, the Japanese news agency Kyodo reported from Peking.

A Chinese news agency report of the 90-minute Teng interview only quoted statements by Mr. Teng that extolled hard work and scientific progress, rather than political debate and protest.

Mr. Teng was quoted as saying, "Stability and unity have prevailed in China since the downfall of the Gang of Four," a dogmatic Politiburo clique headed by the wife of the late chairman, Mao Tse-tung.

Warning Apparent

The Chinese agency statement, which is likely to be broadcast and printed throughout China as well as abroad, appeared designed to warn Chinese not to become too absorbed in protest against authoritarian rule at the expense of their work.

Teng probably also wished to assure foreign investors now beginning to plunge millions of dollars into the Chinese economy that the country would not be allowed to return to the political strife of the last 10 years of Mao's life since 1966.

Wall posters attacking former Mao bodyguard Wang Tung-hsing, now No. 5 in the hierarchy and who has special responsibilities for internal security, continued to go up in Peking. One poster called him an "insect" who "brought disaster to the masses."

A diplomat reached by telephone indicated that the Chinese he met in the streets this weekend told him of their affection for Mr. Teng and their distrust of Mr. Wang and some other leaders.

Unprecedented Conversations

Such conversations mark an unprecendented departure for Chinese who, duging much of the last 30 years, have been reluctant to discuss even the time of day with foreigners they have met on the street.

In telephone interviews, several foreign residents of Peking said that they were being mobbed by Chinese and deluged with friendly questions whenever they appeared at the four or five places in the city where there is a concentration of wall posters.

A diplomat said that a Chinese crowd cheered loudly today when Agence France-Presse correspondent Georges Biannic identified himself to a group of wall-poster readers.

Several foreign sources said that the Chinese were intensely interested in knowing if the wall-poster campaign had been reported

(Continued on Page 4, Col. 2)

Sri Lanka Cyclone Reportedly Kills 300

COLOMBO, Sri Lanka, Nov. 26 (Reuters) — A severe cyclone has swept into the Arabian Sea after reportedly killing 300 persons in Sri Lanka and at least 10 in India.

The cyclone, which struck on Thursday, left more than 100,000 homeless in Sri Lanka, according to the state-owned Daily Mirror newspaper.

Area Left Open in Draft

Vance Calls for Linkage Talks

By Bernard Gwertzman

WASHINGTON, Nov. 26 (NYT) — Secretary of State Cyrus Vance says that Israel's acceptance of the draft Egyptian-Israeli peace treaty text was insufficient to conclude the negotiations because it did not meet Egypt's insistence on some timetable for giving autonomy to the Palestinians of the West Bank and Gaza Strip.

In an interview Friday with The New York Times, Mr. Vance politely differed with Israeli Foreign Minister Moshe Dayan, who said that there was no need for further negotiations and that Egypt should accept the draft treaty text on a "take it or leave it" basis.

"We think the issue is not determined yet," Mr. Vance said. "It is still an open issue because the parties have not reached an agreement on it."

Mr. Vance is hoping that the Egyptians and Israelis will in the end agree on a U.S. compromise proposal — which Mr. Dayan himself accepted on Nov. 11 — committing Egypt and Israel to make a "good faith" effort to hold elections for Palestinian self-authority councils by the end of next year.

Loosely Worded

The United States believes that this proposal, which the Israelis have not formally rejected, stands a chance because it meets Mr. Sadat's criteria for a timetable, but is so loosely worded as to fall short of becoming a legally binding document.

It is understood that this U.S. compromise proposal, in the form of a brief "side letter" to the treaty text, calls on the Egyptians and Israelis "to negotiate in good faith and continuously with the objective of holding elections not later than the end of 1979."

In addition, the proposal calls on the parties to begin negotiations for carrying out the West Bank-Gaza agreement within a month after the Egyptian-Israeli peace treaty is ratified.

"There should be a date to start the negotiations promptly after the ratification of the treaty," Mr. Vance said. "Then, I believe, it is also reasonable and wise to try and set a target date for holding of the elections."

In the U.S. view, it is necessary to set a target date to prevent Egypt from pulling out of the negotiations.

Egypt Response Awaited

The Egyptians have not yet responded officially to the Israeli Cabinet decision of last Tuesday in which it accepted the preamble, nine articles, and three annexes of the draft treaty text that was dated Nov. 11. On Thursday, Al Ahram, the semiofficial Cairo daily, published an Arabic text of the preamble and nine articles.

English-language translations of the Arabic text as published were deemed inaccurate in part by the State Department and, as a result, the department, with Israeli and Egyptian approval, put out a "clean" copy of the original English text. The differences between the two texts are mostly semantic.

The United States was not informed ahead of time of the decision by Al Ahram to publish the text, and officials were informed Friday that Egyptian authorities were irked with partial disclosures of the text in the Israeli press and wanted the full document printed.

It is assumed by U.S. officials that the publication means that Egypt also accepts the preamble and nine articles, and the question now is what kind of linkage President Anwar Sadat is pressing for, beyond the vague language in the treaty preamble.

The Egyptians have not accepted the timetable in Mr. Vance's "side letter," but have agreed to the key language of making a "good faith" effort and of setting as an "objective" the achievment of elections. The Egyptians want the target date to be the end of September, 1979, not December, 1979.

The difference is important because the Israelis, under the terms of the peace treaty, are due to pull their troops back to a withdrawal line at El Arish in the Sinai nine months after the treaty ratification — or approximately September, 1979. The Egyptians want the peace treaty and the West Bank-Gaza document to be synchronized.

The Israelis have said they would not agree to any timetable and that they are finished negotiating. Prime Minister Menachem Begin has informed the United States privately, however, that Israeli negotiators would return for further discussions if necessary.

Mr. Vance at one point expressed some frustration with the difficulty in concluding the negotiations. Referring to the remaining linkage question, he said:

"If you can get them all agreed on everything except this one piece of paper, which is one page and a quarter long, and you come down to the point that whether you're agreed or not agreed on essentially two sentences in that piece of paper, it seems to me you've narrowed the issues considerably and that there ought to be a way under those circumstances to find your way through it."

Guerrillas Kill Italian Officer

ROME, Nov. 26 (UPI) — Urban guerrillas trying to blow up a national police station in the northern town of Tolmezzo wounded a policeman who tried to stop them early yesterday.

Police reported other terrorist attacks in Rome, Turin and on the island of Sardinia that caused minor damage but no casualties.

Officers said Carabinieri officer Valentino Rugo, 21, was wounded when he tried to stop several persons who were rigging a time bomb outside the police station at Tolmezzo. Mr. Rugo fired back at his assailants but they escaped, officers said.

Israel Prints Text of Annex On Restoring Ties to Egypt

(Continued from Page 1)

clause," which states that the Egyptian-Israeli treaty will supercede in priority any agreements between Egypt and other nations.

"There is no harm in this Annex No. 3 in comparison to the main body of the agreement. Actually, it just explains how the normal relations will be executed," Mr. Yadin said.

In fact, the document may have been undervalued in Mr. Yadin's characterization.

Among other things, it declares:

- Egypt and Israel "recognize a mutuality of interest in good neighborly relations."
- The two countries will "foster mutual understanding and tolerance and will . . . abstain from hostile propaganda against each other."
- The two countries agree that three Israeli airfields abandoned in the Sinai will be restricted to civilian use.
- Roads and highways will be opened between the two countries, and a new highway will be constructed between Egypt and Jordan near Elat.
- Normal telephone, telex and cable traffic will be resumed between the two countries — the first time this has happened except for brief periods after Egyptian President Anwar Sadat's historic visit here in November, 1977.
- Normal shipping will be opened in the Suez Canal and the Gulf of Aqaba.

Israeli Foreign Ministry officials in recent weeks have alluded to many of these provisions, but they have never before been spelled out in detail for the public.

Although Israli officials last night said the release was a natural follow-up to the Egyptian release of the treaty text, they also conceded that the annex puts forward the most popular aspect of the controversial negotiations, and presumably will help placate some of Prime Minister Menachem Begin's hard-line critics, who have criticized the peace talks as a "giveaway" by Israel.

Pact Date Uncertain

(Continued from Page 1)

of the reassessment" made by the committee and "made some remarks to my colleagues and we shall be meeting again on Tuesday for the final draft.

"I had promised President Carter, the last time he phoned me, to send my assessment not later than Sunday," Mr. Sadat said. "But the prime minister [Mustapha Khalil] will meet with the Americn ambassador [Hermann Eilts] today to convey a message from me to President Carter that I shall be needing until Tuesday."

Mr. Sadat was asked if he sought a resumption of the negotiations in Washington or preferreed a "new forum."

"I have no objection to any place," he replied, "but we should find this time the proper language that will permit us to fulfil what public opinion all over the world wants from us."

Begin Endorsement

In Jerusalem, Israeli Prime Minister Menachem Begin today endorsed Foreign Minister Moshe Dayan's position that there is no need to return to Washington for further peace talks at this time, the national radio said.

Mr. Begin made the endorsement at a meeting of the Israeli Cabinet during a briefing on the peace talks with Egypt. The Cabinet concentrated in its four-hour session on economic and labor problems.

830,236 Travel to Mecca

JEDDAH, Saudi Arabia, Nov. 26 (UPI) — A total of 830,236 pilgrims have undertaken the annual Moslem pilgrimage to Mecca this year, Interior Ministry figures released by the Saudi press agency said yesterday. The figure was 11 percent more than last year's 739,319.

Sen. McGovern On Africa Tour

KHARTOUM, Sudan, Nov. 26 (UPI) — Sen. George McGovern, D-S.D., arrived from Europe yesterday to start a six-nation African tour. He flew from a three-day stopover in Madrid where he conferred with Spanish leaders, who offered to help the United States re-establish relations with Cuba.

Sen McGovern, a member of the Senate Foreign Relations Committee, planned to confer with heads of state in Tanzania, Mozambique, South Africa, Rhodesia and Angola in addition to attending the ninth African-American conference starting here tomorrow.

The U.S. contingent to the conference includes UN Ambasador Andrew Young, other members of Congress, and representatives of corporations, the media, labor and black community leaders.

WEATHER

	C	F			C	F	
ALGARVE	14	57	fair	MADRID	5	41	fair
AMSTERDAM	3	37	snow	MIAMI	24	75	fair
ANKARA	10	50	fair	MILAN	6	43	rain
ATHENS	17	63	fair	MONTREAL	—9	17	cloudy
BEIRUT	22	72	fair	MOSCOW	—1	30	snow
BELGRADE	2	36	fog	MUNICH	1	34	snow
BERLIN	3	37	overcast	NEW YORK	—2	28	cloudy
BRUSSELS	4	39	fair	NICE	10	50	cloudy
BUCHAREST	11	52	mist	OSLO	—3	27	snow
BUDAPEST	1	34	fog	PARIS	4	39	fair
CASABLANCA	18	64	clear	PRAGUE	2	36	snow
COPENHAGEN	5	41	rain	ROME	13	55	showers
COSTA DEL SOL	17	63	fair	SOFIA	—1	30	fair
DUBLIN	1	34	overcast	STOCKHOLM	—4	25	overcast
EDINBURGH	3	37	fair	TEHRAN	7	45	fair
FLORENCE	11	52	mist	TEL AVIV	21	70	fair
FRANKFURT	3	37	rain	TOKYO	12	52	mist
GENEVA	3	37	overcast	TUNIS	18	64	mist
HELSINKI	—6	21	fog	VIENNA	—1	30	rain
ISTANBUL	13	55	fair	WARSAW	4	39	mist
LAS PALMAS	21	70	fair	WASHINGTON	6	43	cloudy
LISBON	13	55	clear	ZURICH	1	34	mist
LONDON	5	41	fair				
LOS ANGELES	17	63	fair				

(Yesterday's readings U.S. and Canada at 1700 GMT; Los Angeles at 2000 GMT; all others at 1200 GMT.)

Egypt Seeks Resumption

CAIRO, Nov. 26 (AP) — Egypt will ask President Carter to seek a resumption of the Washington Mideast peace talks with Israel, Premier Mustafa Khalil said yesterday.

He said Egypt considers Israel's take-it-or-leave-it approach as an ultimatum, and he charged that such an intransigent attitude does not serve the cause of peace.

Trudeau Creates Economy Panel

OTTAWA, Nov. 26 (UPI) — Prime Minister Pierre Elliott Trudeau announced Friday a major reorganization of his Cabinet, appointing three new ministers, shuffling others and creating a Board of Economic Development Ministers.

The development board will be composed of 11 ministers, headed by Robert Andras, formerly president of the Treasury Board.

The three new ministers appointed by Mr. Trudeau were Pierre de Bane, minister of supply and services; Martin O'Connell, minister of labor; and John Reid, minister of federal-provincial relations.

Mr. Reid replaced Marc Lalonde, who was named minister of justice. Energy Minister Alastair Gillespie was given the additional portfolio of science and technology, formerly held by Judd Buchanan, who was named president of the Treasury Board.

Andre Ouellet was named minister of public works and will retain his urban-affairs portfolio until that ministry is disbanded next March 31. Anthony Abbott was named minister of national revenue and retained his position as minister of state for small business.

Associated Press

ARMS AID — Gov. Ray Blanton of Tennessee presents President Anwar Sadat with a flintlock rifle during a meeting with the Egyptian leader yesterday in Cairo.

Rhodesia Insurgents Switched Sides

Muzorewa Visits Zone Under Ex-Rebels

MANYENE TRIBAL TRUST LAND, Rhodesia, Nov. 26 (AP) — Brandishing a Communist-made AK-47 assault rifle and flanked by gunmen who said they have abandoned the guerrilla cause, black Rhodesian leader Bishop Abel Muzorewa said yesterday: "Peace has at last taken hold on our war-torn society."

Bishop Muzorewa, one of three blacks who joined last March with white Prime Minister Ian Smith in the guerrilla-opposed transition government, announced before a rally of 7,000 supporters that Manyene reservation, 90 miles south of the capital, is a new "cease-fire" zone.

Government officials say that Manyene is 1 of 22 proscribed or "frozen" areas now policed by former fighters of Robert Mugabe's Zimbabwe African National Union and local recruits who are armed with captured weapons.

Third Zone Visited

In an unexpected lifting of the secrecy surrounding the administration's eight-month effort to persuade insurgents to switch sides, Manyene is the third frozen zone where reporters have been invited in the last week, either by government or party officials.

The move is apparently aimed at showing that Salisbury has had some success in trying to decrease the severity of the six-year war. It was made shortly before British and U.S. envoys are to begin a new bid to set up a conference with guerrilla chiefs to devise a new formula for peace and black rule.

Each frozen zone has armed supporters of either Bishop Muzorewa or a rival Salisbury leader, the Rev. Ndabaningi Sithole, arousing fears — particularly among Rhodesia's white minority — that the domestic peace effort increases the threat of black civil war after majority rule.

Apart from divisions among the Salisbury black leaders, the two guerrilla armies also operate separately.

Despite official emphasis that the first loyalty of pro-government guerrillas, known as auxiliaries, is to the transition government, the deep rivalries between the various groups was underlined by accusations yesterday from Rev. Sithole's party that auxiliaries of Bishop Muzorewa's United African National Council impose a "reign of terror" in Manyene.

In an open letter to the white-led Defense Ministry, Rev. Sithole's spokesman, James Dzvova, urged that the Bishop Muzorewa's men be replaced by regular troops or auxiliaries aligned with Mr. Mugabe.

Bishop Muzorewa drove into Manyene behind 40 buses carrying 2,500 supporters from Salisbury, followed by a long line of press cars.

Twenty auxiliaries, some clutching grenades as well as rifles, escorted him into the village — its cluster of brick buildings pitted with gunfire from what police said was a Mugabe guerrilla attack last March.

Bishop Muzorewa was flanked by the 21-year-old commander of the Manyene auxiliaries, who identified himself as Mick Jagger.

Mr. Jagger, carrying an AK-47 and wearing blue denims and a baseball cap, said that he adopted the British rock star's name as a guerrilla identity "because I like Jagger's music."

Mr. Jagger said that he slipped out of Rhodesia in 1974, trained in Tanzania and Mozambique, and fought in Rhodesia's eastern highlands for three years as leader of a 12-man guerrilla group. "I have stopped fighting now because we will get one man-one vote," he said.

The police liaison officer said that Mr. Jagger had 100 men in Manyene, 30 of them externally trained former guerrillas, the rest recruits from Salisbury or local areas.

Mr. Jagger, party officials, and white advisers denied Sithole party claims that Mr. Jagger's men terrorize Manyene. "The local people support us very well," Mr. Jagger said.

The crowd complained to Bishop Muzorewa about the four-month postponement until April 20 of the first universal suffrage elections — a transition government decision opposed by the bishop. They also declared that blacks would refuse regular military draft until after black rule.

Civilian aides of Bishop Muzorewa's council said that the auxiliaries were in 9 of the 22 frozen zones — the remainder apparently policed by Sithole men.

Government officials will not say how much of the country frozen areas cover, but it is thought to be less than 7 percent and all in black reservations. The military said early this month that there were 2,000 auxiliaries aligned with the interim government, compared to 8,000 rebels. Manyene is one of Rhodesia's central areas not heavily infiltrated by guerrillas.

Asked if the United African National Council would let officials of rival black parties campaign in their areas, Muzorewa spokesman David Mukome said: "In theory anyone can enter, but in practice it is difficult if it's not your party there."

U.S. Completes Removal

914 Bodies Are Counted In Jonestown Cult Camp

(Continued from Page 1)

case was too heavy to carry so they stashed it and told Guyanan authorities of it the next day. The case had a note in it saying the contents should be delivered to the Soviet embassy.]

At the cult's headquarters here, four bodies with their throats slit were found on the same night in an apparently related act of violence timed with the Jonestown events. Authorites initially thought that these four had committed suicide.

Yesterday, a 43-year-old resident of the headquarters house, a man described by acquaintances as a "simple and uneducated man who would do anything he was told," was charged with murder in connection with the four deaths.

Charles Beikman, originally of Indianapolis, was arraigned in court here on charges stemming from the death of Sharon Harris and her three children, aged 9, 11 and 21. He also was charged with the attempted murder of another resident of the house, Stephanie Jones, believed to be about 11 years old and of no relation to the cult leader.

Mr. Beikman stood silently as he heard the charges, which could result in his hanging.

About 46 cult members were in the small two-storied stucco house in Georgetown at the time of the tragedy, local authorities say.

According to surviving cultists, the residents housed those most trusted by "Bishop" Jones, as he was known to the Guyanese. Only they could be counted on not to flee the cult and report to the outside world, survivors say.

Residents of Jonestown, most of whom came in the belief that the camp was a "tropical paradise," were often greeted at the gates by armed guards when they arrived and kept through a variety of coercive measures, according to reports from survivors.

Each resident of the headquarters, including Mr. Jones' son, Stephan, 19, has been under heavy armed guard since the deaths last week and restricted to the house by Guyanese officials. During the arraignment yesterday, their lawyer here complained that they felt they were "under siege."

Many of those inside are considered material witnesses to the four murders and are believed to have knowledge of events that occurred 120 miles away at Jonestown. In addition, many of the survivors here and in the United States say that they are living in fear of retribution from these residents if and when they are released.

Some of the Jonestown refugees here have been hiding in their own guarded hotel rooms in fear of the remaining Jones adherents.

The survivors have been awaiting word from the Guyanese government that they are no longer needed as witnesses and may return to the United States.

U.S. Considers Action In Scaffolding Mishap

WASHINGTON, Nov. 26 (AP) — The U.S. Labor Department has asked the Justice Department to consider prosecution of Research-Cottrell Inc. of Bound Brook, N.J., the builder of a West Virginia cooling tower where 51 workers were killed in a scaffold collapse last April, a government source said Friday.

Under the Occupational Safety and Health Act, criminal charges can be brought against a corporation or individuals if it can be demonstrated they "willfully violated" federal safety standards in a way that resulted in the death of workers. The penalty for a corporation could include court-imposed fines.

Murder Suspect Kills Self in U.S.

CHESTER, Ill., Nov. 26 (AP) — Gregory White, who was charged with hijacking an airliner and killing one of its passengers in 1971, hanged himself in his cell at the Chester Mental Health Center, the county coroner said yesterday.

Gary McClure, who ruled the death a suicide, said that Mr. White's body was found Friday night hanging by a bedsheet from a heat register, which supposedly was designed to give way under the weight of a human body.

Soviet Family Is Ready to Leave After Waiting for a New Arrival

MOSCOW, Nov. 26 (AP) — Once again, the Boris Katz family has tickets to leave the Soviet Union, this time with the baby girl whose birth delayed their departure.

Mr. Katz said today that he, his wife, Natalia, and their two daughters would leave Moscow Wednesday after a week's delay during which he briefly had to turn in his hard-won exit visa.

The Katz story goes back a year, to the day they applied for an exit visa in order to seek medical treatment for their daughter Jessica, who could not properly digest her food because of an ailment called malabsorption syndrome.

The Katzes caught public attention in the United States, and were among 18 families about whom Sen. Edward Kennedy, D-Mass., spoke personally to Soviet President Leonid Brezhnev last month.

They finally received exit permission this month and were scheduled to leave last week, when Natalia gave birth to her second child. The child's name is either Gabrielle or Gabriella, Mr. Katz said today. "We'll think about it in America."

The birth of their second daughter meant that the Katzes had to re-enter the Soviet bureaucratic maze in order to gain her exit permission. For her name to be added to her mother's exit visa, Mr. Katz said, he had to turn in the visas themselves, pick up the internal passports they had surrendered, and present these to get a birth certificate.

With some misgivings he went through this procedure, he said, and then received his exit visas back again in exchange for the internal passports.

161 on Initial Plane

First Hai Hong Refugees Are Welcomed in Canada

MONTREAL, Nov. 26 (AP) — The first of four planeloads of Vietnamese refugees from the freighter Hai Hong arrived here from Malaysia last night.

A total of 161 refugees, most of them ethnic Chinese, stepped off a Canadian military jetliner at Dorval Airport in Montreal.

Most of the refugees were smiling and appeared in high spirits despite the difficult journey that began when they boarded the rusty freighter Hai Hong off the coast of Vietnam.

They were the first refugees removed from the Hai Hong, a steamer that brought 2,500 refugees to Malaysia on Nov. 9. They were prevented from coming ashore by the Malaysian government, which ruled that they had purchased the ship for $5 million and did not qualify as legal refugees.

Malaysian Threat

Malaysia, which already has 40,000 Indochina refugees packed in crowded camps, had threatened to tow the Hai Hong back out to sea unless Western nations agreed to take its human cargo.

The refugees arriving in Canada were dressed in shirts, pants and sweaters donated by the Canadian government in Malaysia after they left the Hai Hong.

Canadian soldiers helped wrap each person in a blanket to fight off the cold weather. They also passed out socks to the refugees, most of whom were wearing only shoes or sandals.

The first planeload was made up mainly of children and young parents. A Canadian government spokesman said the group included an infant who had been born on the freighter and was suffering from a fever.

30-Hour Flight

The refugees were taken by bus to a Canadian military base in Montreal, where they were to get some sleep after the 30-hour flight from Kuala Lumpur.

Of those on the first flight, 59 are planning on staying in Quebec, about the same number in Ontario and the rest in other provinces.

Canada is taking 604 of the 2,500 Hai Hong refugees and is planning three more airlifts — Nov. 28, Dec. 1 and Dec. 4 — to pick up the other 443.

About 10,000 Vietnamese immigrants have already settled in Canada since the Communist takeover of that country in 1975.

The United States, France, Belgium and other Western nations have also agreed to grant asylum to persons aboard the ship.

Malaysia to Move Refugees

KUALA TRENGGANU, Malaysia, Nov. 26 (UPI) — Malaysian authorities arranged today to move clusters of Vietnamese refugees stranded along the east coast beaches to camps, but at the same time they announced measures to prevent more from landing.

Maj. Gen. Ghazali Che Mat, the head of a high-level task force formed to tackle the burgeoning refugee problem, told newsmen during an inspection tour that aerial surveillance will be used to help marine police and naval patrols.

The increased patrols, plus an extra 600 police volunteers have not been effective in checking the flow of refugees.

A 35-ship flotilla carrying an estimated 10,000 Vietnamese has been sailing along the coast dogged by the official boats trying to keep them from landing. Several of the boats managed to sneak in and the refugees deliberately destroyed them to avoid being chased out again.

Police sources said choppy seas in the prevailing monsoon and the small Vietnamese boats have made detection difficult in the long coastlines.

5 Held in Smuggling Of Marijuana to U.S.

SUNBURY, Ga., Nov. 26 (AP) — Authorities arrested five men as they attempted to unload about 20 tons of marijuana from a shrimp boat anchored here, a U.S. Customs official said yesterday.

State and federal agents said the 66-foot boat had carried bales of marijuana worth an estimated $9.6 million. The five men were charged with smuggling marijuana with intent to distribute it, the customs official said.

Associated Press

James Jones, at age 10, poses with two cousins in Lynn, Ind. A neighbor, observing the future cultist leader prodding his friends with a stick into marching, said at the time: "He's either going to do a lot of good, or he's going to end up like Hitler."

Chad Guerrillas Kill French Legionnaire

PARIS, Nov. 26 (Reuters) — A French legionnaire was killed and two were injured when a patrol of Chad troops and French soldiers was ambushed by rebels in central Chad, the French Defense Ministry said yesterday.

The clash took place near Bokoro, about 100 kilometers east of Ndjamena, the Chad capital. According to reports received here, six rebels of the Chad National Liberation Front were captured. The government patrol, accompanied by a Foreign Legion unit, was on the south of Lake Fitri, the reports said. French forces have been supporting the Chad government against the rebel forces since March.

Referee Stabbed

BELRADE, Nov. 26 (Reuters) — A soccer referee in central Yugoslavia was stabbed to death by an angry fan after two players were ejected from the game, the Belgrade newspaper Borba reported today.

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Nonallied Nations

[U.]S. Plans Second Year [o]f Reduced Arms Sales

By Richard Burt

[WA]SHINGTON, Nov. 26 (NYT) — [Th]e Carter administration plans [to re]duce arms sales to nonallied [natio]ns for the second year in a [row,] according to government offi[cials,] even though the White House [has f]ailed to get other exporters of [milita]ry equipment to follow suit.

[As] a strategy designed to con[vince] other major arms suppliers [that t]he administration means busi[ness] in its policy of arms-sales [restra]int, the officials said, Presi[dent] Carter is likely to put a ceiling [of ab]out $8.5 billion on such ex[ports] next year, a cut of 8 to 10 [perce]nt after inflation. The ceiling [woul]d not apply to allied govern[ment]s in Western Europe or to [Japa]n, Australia or New Zealand.

[As] part of this strategy, officials [repo]rted, Mr. Carter recently [ru]led, against the advice of the [Pent]agon and the State Depart[ment], not to sell advanced F-16 [fight]er aircraft to South Korea next [year.] The sale, worth almost $500 [milli]on, was to have been an[noun]ced during Defense Secretary [Har]old Brown's visit to South Ko[rea e]arlier this month. Mr. Brown [and] Secretary of State Cyrus Vance [are s]aid to have favored the sale to [stren]gthen South Korean defenses [as U.]S. troops are withdrawn.

Iranian Deferment Helped

[O]fficials said that the F-16 deci[sion] and the planned reduction in [sales] reflect the White House com[mit]ment to reduce exports. They [ack]nowledged that a recent deci[sion] by Iran to defer more than $1 [billi]on in arms purchases next year [has] made it much easier to try to [lowe]r the ceiling. Iran's decision [mad]e it possible to accommodate [seve]ral new sales without exceeding [the] projected ceiling. These include [a p]ackage of tanks and fighter [plan]es for Yemen which are to be [pai]d for by Saudi Arabia.

[A]t the same time, several aides [war]ned that unless the administra[tion] succeeds soon in getting other [nati]ons, particularly the Soviet [Uni]on, Britain and France, to cut [sale]s, political pressure from do[mes]tic arms producers would force [a r]e-examination of the policy. [The]se companies contend that the [poli]cy has allowed foreign arms [con]cerns to get what would have [bee]n U.S. sales.

[I]n May of last year, when Mr. [Car]ter announced his policy of re[duc]ing arms exports, he said that [the] United States, as the world's [lea]ding arms exporter, would uni[late]rally cut sales. But he said that [the] policy would have to be re[vie]wed if other major suppliers [con]tinued to increase their exports.

So far, administration efforts to involve Britain and France in arms restraint have failed. Officials report that over the last year both countries have increased their shares of the arms market. The two governments have not ruled out reductions in exports, officials said, but they have been insisting that the two leading exporters, the United States and the Soviet Union, must lead the way.

The administration began negotiations with Moscow on arms sales late last year. Although the talks are unlikely to produce an agreement soon, Mr. Carter is said by officials to have sent a letter recently to British and French leaders pressing them to reduce exports. Several officials said that it was unlikely that they would do so next year.

Efforts to get Moscow to cooperate on arms sales in the next year also appear uncertain. Although Soviet leaders originally seemed cool to limiting exports, State Department officials have been surprised by recent signs of greater interest.

Bilateral Curb Sought

At the next U.S.-Soviet meeting on arms sales, scheduled for mid-December in Mexico City, the two sides plan to discuss limiting military exports to Latin America. Since neither the Soviet Union nor the United States exports much military equipment to that area, officials believe that it is the easiest place to start. Among several obstacles to be resolved are such issues as how Soviet-Cuban military ties would be affected and whether Moscow would be free to help guerrilla movements on the continent.

Flush Toilets Provided for Parisian Dogs

PARIS, Nov. 26 (Reuter) — Flush toilets for dogs have appeared on the streets of Paris, where pedestrians often have to pick their way gingerly along pavements soiled by canine excrement.

The toilets were set up Friday by a "Keep Paris Clean" group. They consist of concrete bowls built into the pavement and surmounted by high posts.

Taps on the pillars allow dog owners to flush the bowls clean after use.

Associated Press

A RIDE WITH GRANDPA — President Carter takes grandson Jason on Thanksgiving weekend spin through Cunningham Falls State Park, Md., near the Camp David retreat.

2 New Departments Proposed

Carter to Weigh Cabinet Reorganization

By Hedrick Smith

WASHINGTON, Nov. 26 (NYT) — By mid-December, President Carter is slated to receive preliminary proposals from his reorganization staff suggesting the creation of two new Cabinet departments and possibly the dismantling of the Commerce Department, administration officials said yesterday.

If the president goes along with the most ambitious of a series of reorganization options, administration officials said, it would mean setting up a Department of Economic Development, which would replace and expand the Department of Housing and Urban Development, and establishing a Department of Natural Resources, which would replace the Interior Department.

But high-ranking administration officials emphasize that not only are these plans still to be reviewed by Mr. Carter, but they also have yet to be reviewed and approved by James McIntyre, director of the Office of Management and Budget.

As they now stand, some of the proposals would have contradictory effects. One, for example, would eliminate the Commerce Department and another would expand it.

The secretary of commerce, Juanita Kreps, and her aides are vigorously fighting the effort to disband their agency. The White House has not yet indicated its position.

Moreover, senior aides to Mr. Carter are opposed to any significant reorganization, fearing that it would arouse strong opposition of congressional committees, overload Congress and strain White House relations with Capitol Hill.

"There's a bias that reorganization is too costly politically," a reorganization official remarked. "It's true, there's no political free lunch here. There's no option that does anything worthwhile that is not going to take some fancy footwork on Capitol Hill. But in my opinion it's do-able."

Recognizing both political and bureaucratic obstacles, the administration has set aside earlier ideas about consolidating various programs aimed at environmental control and protection of workers and consumers, and about combing the work of agencies dealing with various governmental health programs.

The president's one clear commitment is to renew an earlier proposal for a separate Department of Education, which did not pass in the last Congress.

The other outstanding battlegrounds within the administration are the fields of economic development and natural resources.

Reorganization specialists insist, for example, that in the field of economic development, there are six major government agencies administering 12 programs with a multi-billion-dollar pool of money. The big ones are the Economic Development Administration within the Commerce Department, the Urban Development Assistance Grant Program of HUD, the Farmers Home Administration of the Agriculture Department, the Community Service Administration in the Department of Justice and the proposed urban-development bank that would be administered by three Cabinet departments.

The bureaucratic maze has brought repeated protests from mayors and other local government officials who contend that they cannot deal with the federal bureaucracy. It is too complex and uncoordinated, they say, and duplications lead to unnecessary delay in obtaining federal aid.

In Government Rating of 51 Facilities

10 U.S. A-Plants Get C on Safety

WASHINGTON, Nov. 26 (WP) — Documents released yesterday by the Nuclear Regulatory Commission show that it conducted an informal safety rating of 51 nuclear power plants in the United States that placed 10 of the plants in a "below average" category.

The 10 plants received a C rating grade from the commission for their safety performance in 1975, the only year that the commission made such a rating on nuclear power plants. A spokesman said that commission conducted three ratings of the 51 plants to see if it could develop a system to improve plant performance and allocation of inspectors.

The documents containing ratings of the 51 plants in operation during 1975 were released by the commission as a result of a suit brought by the Union of Concerned Scientists under the Freedom of Information Act.

Two-Thirds Are 'Average'

Two-thirds of the 51 plants were termed "average" in their approach to safety and received grades of B. One sixth were called "above average" and won A's. The remaining 10 received C's.

The 10 plants with a C included plants run by Commonwealth Edison Co., one containing three nuclear reactors near Chicago, the other containing two reactors near Moline, Ill.; a reactor that makes up the Indian Point complex of Consolidated Edison Co. 30 miles from New York City, and the Surry nuclear plant operated outside of Newport News by Virginia Electric Power Co.

The Union of Concerned Scientists is a public interest group in Cambridge, Mass., opposed to nuclear power. Its spokesman, Robert Pollard, said, "It is deeply disturbing that several of the reactors the commission rates as the poorest are located near areas such as New York and Chicago where millions of citizens reside."

In rating safety performance of the 51 plants, the commission graded them against each other and not against a standard of its own. The commission said: "This practically assures a mix of A's, B's and C's."

Its system of grading did not take into account "violations" of commission safety regulations, the most serious charge against a nuclear power plant. It only included "infractions," "deficiencies" and "licensee event reports" where nuclear plants had experienced an operating event, such as a temporary shutdown, that had to be reported to the commission.

In the documents, the commission pointed out that if it included "violations" of commission regulations, such as an accidental exposure of plant workers to radiation, 2 of the 51 plants with a B rating would have received C's.

The commission identified these two plants as the Zion, Ill., plant of Commonwealth Edison Co. near Chicago and the Millstone 1 plant of the Northeast Nuclear Energy Co. near New London, Conn.

Violations were not brought against the Indian Point plant of Consolidated Edison, which already had received a C for its safety performance.

In its statements accompanying the commission documents, the Union of Concerned Scientists criticized the commission, saying that it did not have enough safety inspectors and did not conduct enough inspections. It also criticized the commission for not levying stiffer fines against electric companies violating commission regulations.

The commission, asked for comment, said it now has 235 inspectors who will conduct an estimated 3,000 reactor safety inspections by the end of the year. The commission said that, since 1973, it has levied for safety infractions 28 civil penalties against companies operating nuclear power plants, for a total of $434,750 in fines imposed.

— THOMAS O'TOOLE

U.S. Moves to Reorganize Its Public Jobs Programs

By Philip Shabecoff

WASHINGTON, Nov. 26 (NYT) — U.S. Labor Secretary Ray Marshall, believing that mismanagement, inefficiency and indifference are threatening the long-term credibility of the government's public jobs programs, is undertaking major revisions in the Labor Department's Employment and Training Administration, aides say.

The aides said that ineffective, slipshod and complacent federal management was contributing to fraud and abuse in the jobs programs around the country.

Mr. Marshall has already replaced a deputy director of the employment administration, which operates programs authorized by the Comprehensive Employment and Training Act (CETA) to provide work and training for the unemployed. New regional administrators were recently installed in New York, Boston and Atlanta.

A thorough reorganization of the employment administration has been planned. But it has been postponed until at least next spring while the agency prepares and carries out new CETA rules.

The aides said that the employment administration, under the leadership of Ernest Green, assistant secretary of labor for employment and training, did an excellent job over the last year and a half in achieving the primary goal of the public-service jobs programs: creating and filling 725,000 jobs.

Administrative Problems

But they added that administrative and personnel problems, most of them inherited from previous administrations, were a threat to the future financing of the jobs programs because they called the effectiveness and efficiency of the programs into question.

"We have $11 billion going out under the CETA programs but some of the managers simply do not understand the programs and have no sympathy for them," said Paul Jensen, executive assistant to Mr. Marshall.

Referring to the department's jobs-and-training effort, Alfred Zuck, assistant secretary of labor for administration and management, said, "Unless we can demonstrate the credibility of the programs, we run the risk of losing the programs." In large part because of ineffective management in Washington, that credibility has not yet been established, he added.

Mr. Marshall said recently that he was determined to improve the efficiency of the jobs-program management to prepare for expected budget cuts affecting the programs.

From a peak of 725,000 jobs this year, the programs are scheduled to dip to 625,000 jobs by the end of 1979. According to government officials, President Carter's budget plans could produce a cut of at least $1.5 billion from the jobs programs in the 1980 fiscal year.

Special Office

Earlier this year the Labor Department organized a special office of investigations to look into allegations of fraud and abuse. Recently the department announced the formation of a program of fraud-and-abuse prevention.

Now Mr. Marshall and his aides are seeking to deal with major problems involving the administration of the jobs programs within the Labor Department bureaucracy.

U.S. Navy Re-Examining Its Goals, Allied Relations

By Drew Middleton

NEW YORK, Nov. 26 (NYT) — After a third of a century of global maritime supremacy, the U.S. Navy is re-examining its doctrine, missions and relations with allies in the light of its reduced power and the expansion of the Soviet Navy and Air Force.

This re-examination is not confined to the Navy. The Department of Defense, in planning for the next five years, is intimately involved. The other services competing for budget dollars have strong views on how much defense funds should go to the fleet and how the fleet should be used in war.

Powerful outside voices such as the Navy League, the Atlantic Council and members of Congress have joined the debate. In addition, many Navy alumni are prominent in industry, banking and the law and are now linked with the industrial complexes that sell the Navy its ships, weapons and aircraft.

The re-examination is not concerned solely or even primarily with the quarrel over whether the Navy should build huge nuclear-powered aircraft carriers or smaller oil-burning carriers.

The Atlantic Council, the governing body of the North Atlantic Treaty Organization, recommended recently that the United States and other NATO members avoid building their fleets around a small number of "expensive vessels subject to damage or loss" such as cruisers and supercarriers.

Soviet Expansion

The impetus for the Navy's reexamination is primarily the Soviet fleet's expansion. The intelligence community expects that the Russians will eventually deploy a navy of 775 ships after some of the submarines and light coastal craft built in the 1950s become obsolete. The United States, according to officials in Washington, is headed for a Navy of 525 ships. The other NATO nations maintain a total of about 600 warships.

The West's numerical edge is deceptive. NATO ministries admit, and Washington officials confirm, that although many of the allied hulls are relatively new, there is an alarming shortage of new weapons, especially guided missiles and antisubmarine and anti-aircraft-detection devices.

In a recent article in Strategic Review, Rep. David Emery, R-Maine, identified what he termed the basic realities of this situation.

Soviet submarines, he wrote, can fire ballistic missiles at West European industrial centers without leaving their ports. About 250 Soviet attack submarines could, in the absence of a NATO counterstrategy, effectively seal off the northern and southern approaches to Central Europe in a war. Soviet land-based aircraft would threaten the strategic sea lanes along the northern and southern flanks of Europe.

Soviet naval strategy, Rep. Emery wrote, "assumes as its primary military responsibilty" the isolation of a European battlefield from U.S. reinforcements.

But there is no agreement on Soviet naval priorities. Some NATO officers believe the Russians' main effort at the outset of a war would be to support nuclear forces, with attacks on allied surface ships as a secondary mission.

The Atlantic Council report considered that interdiction of allied sea lines of communication would be only fourth on the Soviet naval priority list.

The United States has four major naval missions — maintenance of antisubmarine-warfare forces capable of defeating nuclear or conventional operations by Soviet submarines; establishment of a virtually invulnerable sea-based strategic deterrent, primarily submarine-launched ballistic missiles; projection of air power at sea or ashore against stronger Soviet defenses, and ability to put amphibious forces ashore against powerful opposition.

Ideally, the Navy would like to have the ships and men to carry out all four missions. Realistically, it knows that this would stretch what it considers to be scanty resources.

The administration's "Europe First" strategy has alarmed one group in the Navy. Concentration on the Atlantic and the Mediterranean, its spokesmen hold, would be seen as the abandonment of Asian friends, particularly Japan, to the Soviet Union. This reflects the Navy's strong feeling that any war with the Soviet Union in Europe would "automatically become a Pacific war because Russia is a Pacific power too."

Current defense planning apparently envisions moving most of the Third Fleet from the Pacific to the Atlantic in the event of war in Europe. The Atlantic Council's report held that the carrier task forces of the Third Fleet would be more valuable protecting sea lanes in the Pacific and Indian Oceans, where there is less land-based air force available.

The Atlantic Council report, although it did not give a high priority to defending sea lines of communication, noted that the United States and NATO lacked the forces to protect all potentially essential shipping in a protracted war.

Soviet Envoy to Ethiopia

MOSCOW, Nov. 26 (UPI) — The Soviet Union has named a former ambassador to Laos, Boris Kirnasovsky, as the ambassador to Ethiopia, Tass reported today.

In Border Raids

Suspected Rebels Clash With Nicaraguan Forces

MANAGUA, Nov. 26 (UPI) — Suspected Sandinista guerrillas raiding across the Costa Rican and Honduran borders skirmished several times with the Nicaraguan National Guard, causing several casualties, the National Guard said today.

It was not known if the military activity was an indication that the a much-advertised Sandinista guerrilla offensive had begun. The actions came as a reported guerrilla deadline for the campaign to begin passed.

The bloodiest clashes occurred before sunrise today near the Costa Rican border to the south, according to military sources.

National Guard spokesman Col. Aquiles Aranda Escobar told the government newspaper, Novedades, that on Friday mercenary invaders came across the northern Honduran border and attacked a guard outpost in the village of Achuapa in Leon province, 200 miles north of Managua.

Novedades quoted Col. Aranda Escobar as saying that guard troops repelled the attackers who dragged several wounded with them. He said there were no guard casualties.

Refugees in Honduras

Novedades said guard sources confirmed that troop reinforcements were sent to the Honduran border in the villages of Somotillo and Rio Negro. In Honduras, there are an estimated 10,000 Nicaraguan refugees, and military sources here believe some are guerrillas.

It was the first reported raid from Honduras since September's civil war in Nicaragua.

In the south, military sources said that members of an international brigade of the Sandinista National Liberation Front raided two border villages and attacked National Guard posts on the banks of the Palo de Arcos and Los Sabalos rivers, about 300 miles to the southeast.

The sources said the attackers withdrew into Costa Rica after the actions, the latest in several border incidents in the last few weeks. Nicaraguan intelligence sources believe the Sandinistas operate from Costa Rican training camps.

There were a number of casualties on both sides in the skirmishes around an area known as El Castillao.

There was no official confirmation from the National Guard or from military commanders at the border region. But sources said the clashes did not indicate that the much-anticipated Sandinista offensive was under way.

But they came on the day a reported 36-hour guerrilla deadline for the start of the campaign expired.

Last week there were several major clashes on the southern border, including one involving Nicaraguan and Costa Rican troops. Two Costa Ricans were killed, and Costa Rican President Rodrigo Carazo Odio broke relations with Managua.

On the politcal front, both sides in the Nicaraguan dispute may still be willing to make concessions despite their rejection of the U.S.-backed peace formula designed to prevent the outbreak of civil war, diplomatic sources said. But analysts said internationally sponsored mediation appears to have collapsed.

The 10-month Nicaraguan crisis has pitted President Anastasio Somoza and his 10,000-man National Guard against an opposition force ranging from Sandinistas to businessmen, students, priests, lawyers and intellectuals.

Gen. Somoza's political foes want to oust him, but he says he will not step down until his term expires in 1981. The U.S.-sponsored plan called for a national plebiscite to decide whether Gen. Somoza should step down.

Ex-Aide to Shah Accepts Lie Test

LONDON, Nov. 26 (NYT) — Siamak Zand, a former press aide to the Shah of Iran, agreed yesterday to take a lie-detector test in response to a challenge from Arnaud de Borchgrave of Newsweek magazine.

Last week, Mr. Zand accused Mr. de Borchgrave and three other reporters of having accepted either gifts or expense money in return for favorable reports on the shah's regime. Mr. de Borchgrave denied the charge, offered to take a lie-detector test and issued a challenge to his accuser to agree to do the same.

Mr. Zand said in a telephone interview that he had "gone underground" in London because he feared for his life and left his hideout only in the companay of two karate-trained bodyguards. But he said he was willing to take a polygraph examination at a time and place of Mr. de Borchgrave's choosing.

Associated Press

Former President Richard M. Nixon, in Paris to appear on a French television show, waves to newsmen after arriving at Roissy-Charles de Gaulle airport aboard the supersonic Concorde.

Ex-President Keeping Low Profile

Nixon, Haig Confer Quietly in Paris

PARIS, Nov. 26 (UPI) — Former President Richard Nixon met privately today with Gen. Alexander Haig, his former White House chief of staff.

Gen. Haig, who is supreme commander of Allied forces in Europe, was enroute from a NATO meeting in Lisbon to his Brussels headquarters. He stopped in Paris for a 90-minute talk with Mr. Nixon at the ex-president's hotel.

Gen. Haig, wearing civilian clothes, slipped in a back door. Neither man said later what they had talked about. Gen. Haig is widely considered to have all but run the presidency during the final troubled months before Mr. Nixon resigned in August 1974.

Mr. Nixon is keeping a low profile after in Paris. He arrived here last night, ducked a crowd of about 100 persons who had gathered outside his hotel today in the Place Vendome and has had telephone calls referred to the message desk in the lobby.

Mr. Nixon is scheduled to appear Tuesday on the government-owned French television network to answer questions phoned in by viewers and put on tape.

While saying that he had no appointments with government officials, Mr. Nixon had said that he planned to see some "old friends." And sources said that he will be the guest of honor at a succession of lavish dinner parties that may be attended by members of the government in a personal capacity.

Mr. Nixon added that he had hoped to see the widow of the late President Charles De Gaulle. But Mrs. De Gaulle has been ill in recent weeks.

Upon his arrival Mr. Nixon said to reporters: "When I think my views would be useful I will speak out. But as far as a political comeback is concerned in the traditional sense, I have no such plans."

French television is not paying Mr. Nixon for his appearance but is providing travel and living expenses for him and his staff.

Teng Defends Hua Role In '76 Riot, Urges Unity

(Continued from Page 1)

abroad. They were eager to express their opinions to foreign reporters and to find out more about Western democracy. "Suddenly we all feel like celebrities," a correspondent in Peking said.

Reporter Queried on Democracy

A Western reporter said that he was asked: "How does democracy work? Who decides who you can vote for? Is it true that in your country you can criticize leaders without being considered a traitor?"

"It seems to be an almost naive belief that the people want and will get more power," a diplomat said.

Much of the protest has been in response to a recent official decision to clear hundreds of people arrested after the Tienanmen Square riot. The demonstrators had beaten up militia and turned over cars after wreaths honoring the late Premier Chou En-lai, like Mr. Teng an advocate of worker bonuses and raised living standards, had been removed prematurely from Tienanmen.

Peking protestors say that the government should go even further; they want all officials responsible for suppressing the demonstration identified publicly and a more democratic system instituted that would prevent such suppression.

A Chinese told an American listener during a sidewalk conversation: "The Tienanmen incident was worse than Watergate, more destructive to our country than Watergate was to the United States. Your people could criticize [then-President Richard] Nixon, even drive him from office."

Ecevit to Norway, Sweden

ANKARA, Nov. 26 (AP) — Premier Bulent Ecevit will visit Norway and Sweden in mid-December, it was announced here today. Sources said that in Norway he will discuss economic cooperation, and in Sweden he will confer on bilateral matters that include the situation of migrant Turkish workers, estimated at nearly 10,000 there.

Fog Closes Airports In Yugoslav Cities

BELGRADE, Nov. 26 (Reuters) — Thick fog today blocked air traffic for the third consecutive day at Belgrade and several other major Yugoslav airports.

The airports at Dubrovnik and Split, both on the Adriatic Sea, remained closed, officials said, and planes also were grounded in the southern city of Skopje.

Assad to Visit Hungary

BUDAPEST, Nov. 26 (Reuters) — Syrian President Hafez al-Assad will visit Hungary this week at the invitation of Hungarian Communist Party leader Janos Kadar and President Pal Losonczi, it was reported yesterday.

Vote Returns Muldoon in New Zealand

WELLINGTON, New Zealand, Nov. 26 (AP) — Prime Minister Robert Muldoon's National Party retained control of the government in general elections yesterday but with a sharply reduced parliamentary majority.

The count showed the moderate-conservative Natity with 49 seats, the opposition Labor Party headed by Bill Rowling with 42, and the Social Credit Party with one seat.

Before the election, the National Party had 53 seats, Labor 31, Social Credit 1 and independents 2. After Parliament was dissolved last month for the campaign, five new seats were created for a total of 92.

7 Recounts Likely

RecountsRecounts were likely in seven districts where the winner was decided by fewer than 300 votes. Of these, four were won by National and three by Labor.

There was a swing of 4.5 percent of the popular vote in favor of Labor, more than public opinion polls had indicated. Mr. Muldoon's government replaced the Labor Party in power three years ago.

The Social Credit Party more than doubled its vote of three years ago and edged Labor out of second place in a half-dozen districts. This trend, which had been predicted, was seen as a protest against the government.

Mr. Muldoon and Mr. Rowling kept their seats by comfortable majorities, but two cabinet members were defeated.

During the campaign, Mr. Rowling accused Mr. Muldoon's party of failing to stop or reverse the rise in New Zealand's foreign debt and of being responsible for the highest unemployment rates since the 1930s.

Son of Marcos Appointed Aide

MANILA, Nov. 26 (Reuters) — President Ferdinand Marcos has named his 21-year-old son, Ferdinand Jr., as his special assistant.

The appointment is certain to bring criticism from the president's opponents, who have accused him of trying to establish a dynasty since his institution of martial law in 1972.

There has been speculation that Mr. Marcos will name his wife, Imelda, as a deputy prime minister with a possible right of succession in an emergency. Mrs. Marcos is a Cabinet minister and the governor of Greater Manila.

Ceausescu Resists Soviet Unio[n] On Increased Military Spendin[g]

By Michael Dobbs

BELGRADE, Nov. 26 (WP) — In a major gesture of defiance toward the Soviet Union, President Nicolae Ceausescu has put on record Romania's refusal of a proposed increase in defense spending by the Soviet-led Warsaw Pact military alliance.

During a long speech explaining Romania's stand at last week's Warsaw Pact summit meeting in Moscow, President Ceausescu also revealed that he had refused to sign several documents proposed by the Soviet Union. One of these documents is known to have been a condemnation of the current Middle East peace talks between Israel and Egypt, while a second — still secret — is believed by Western diplomats to have envisaged an increase in the Soviet bloc's defense budget to meet what the Kremlin regards as a new threat posed by China.

Over the last few months, there has been evidence of attempts by the Soviet Union to secure military support from its East European allies, including Romania, in its quarrel with China. In a speech last month, Mr. Ceausescu, 60, went out of his way to insist that the Warsaw Pact should remain purely defensive in nature and be limited to a European framework.

Soviet Motive

While there has been no public suggestion yet that Moscow wants its allies to contribute directly to the 43 divisions of Soviet troops already believed to be stationed along the Chinese-Soviet border, an increase in the Warsaw Pact's military presence in Europe would free Soviet troops for the Far East.

In his speech to workers' delegations in Bucharest last night, Mr. Ceausescu said that neither he nor his delegation had signed any document at the Moscow summit other than the vaguely worded joint declaration and communique issu[ed at] the end of the two-day meeting[.] [He] said he was making this public [in] order to avoid "rumors" ab[out] what had been decided in Mosc[ow].

Then, in what foreign diplom[ats] believe is an indication of the [na]ture of the documents he refused [to] sign, he added: "We said in Mo[s]cow that it would be a big mist[ake] if we were to pursue a policy of [in]creasing military expenditures[,] policy of the intensification [of] rearmament."

"We are convinced there is [no] imminent danger of war and [no] special measures are required [at] present," he said in the spee[ch] which was published by the offi[cial] Romanian news agency Agerpre[s].

Criticism of Hua Visit

Mr. Ceausescu, who drew h[...] Soviet criticism because of the v[isit] here last summer of Hua Kuo-fe[ng], the Chinese leader, has consisten[tly] differed with the Kremlin over re[la]tions with China. While So[viet] leaders have been describ[ing] China's more active foreign pol[icy] as a threat to world peace, [Mr.] Ceausescu has actively been pl[ay]ing the "China card" in a bid [to] strengthen Romania's own freedo[m] of action on the international sta[ge].

Two weeks ago Mr. Ceause[scu] flew to Yugoslavia for talks w[ith] Marshal Tito — the first Comm[u]nist party leader to defy the Sov[iet] Union. Their talks were interpre[ted] as a demonstration of Yugo[slav] support for the stand Romania w[as] preparing to take in Moscow.

Meanwhile Yugoslav newspape[rs] have been carrying reports fro[m] their usually well-informed Mo[s]cow correspondents describing a[t]tempts by the Soviet Union to re[as]sert control over its East Europe[an] satellites — and to turn the Wars[aw] Pact into a much more unified an[d] monolithic organization. Senio[r] Yugoslav officials have eve[n] warned of efforts to revise the re[]sults of the 1976 Berlin conferen[ce] which formally recognized th[e] equality and independence of a[ll] Communist parties.

Another argument advanced by Mr. Ceausescu against any increas[e] in Romania's $923 million defens[e] budget is that this would have a[n] adverse affect on the country['s] standard of living. Mr. Ceausescu[,] who has been in power for 15 years[,] has had to defuse mounting popu[]lar discontent with what is proba[]bly the lowest living standard i[n] Eastern Europe.

France Convicts 4 U.S. Panthers Of '72 Hijacking

PARIS, Nov. 26 (UPI) — Four members of the U.S. Black Panthers were sentenced Friday to five years in prison for hijacking a Delta Airlines jet in 1972 to Algiers and not releasing its crew until a $1 million ransom was paid.

Court sources said that Melvin McNair, 30, of Greensboro, N.C., and George Brown, 34, of Elizabeth, N.J., would be eligible for parole in 18 months, and that McNair's wife, Jean, 32, and Joyce Tillerson, 27, of Spartanburg, S.C., would be eligible for parole in about six months.

The four defendants, who were arrested in France in 1976 after leaving Algeria, had faced maximum prison terms of 20 years. A fifth American, George Wright, who allegedly played a key role in the hijacking, is a fugitive.

France rejected a U.S. request for the defendants' extradition but did not grant them the status of political refugees. Their five-day trial here was conducted under international conventions banning hijacks.

The group hijacked a Delta DC-8 flight between Detroit and Miami. After allowing the 94 passengers to get off in Miami, the hijackers ordered the plane flown to Algiers, where they released the seven crew members for $1 million.

Criticism of Mao, Hua Continues

Chinese Posters Demand Democracy

By Fox Butterfield

HONG KONG, Nov. 26 (NYT) — The wall-poster campaign in Peking moved yesterday from criticism of Mao Tse-tung to demands for democracy, as one acerbic broadside compared China unfavorably with the United States. Another poster challenged the 1976 appointment of Hua Kuo-feng as premier.

"America is a capitalist country and is the most developed in the world," said the authors of the first poster, a group of eight young men from Kweichow province. "The United States is only 200 years old, but it has developed because it has no idols or superstition."

The writers, who signed themselves "The Democratic Forum," said the genius of the Chinese Communist Party had been stunted by superstition. China built two great walls, they said, "One wall was to keep out foreigners, the other was a spiritual wall built by Chin Shih-huang."

The reference was to the first emperor of China's centralized imperial system, in the third century B.C., who also built the Great Wall as a defense against nomads. Mao used to compare himself to the emperor, so that the comment seemed directed against Mao himself.

"The new thinking, the great democratic and human rights to which we aspire, which we seek, have today raised their heads in the great land of China," the poster added.

Cheers for Westerner

Foreign diplomats and journalists reading the poster, pasted up on a fence facing Mao's mausoleum, were surrounded by a curious crowd. A Western diplomat reported that when one of the journalists was identified as Philip Short of the British Broadcasting Corp., the onlookers cheered.

"Report it the way it is," some Chinese shouted.

The diplomat said by telephone that several persons had asked whether people in his country could criticize their leaders without fear of reprisals.

In his view, the unusual friendliness of the crowd toward foreigners and the daring sentiments of the wall posters resulted in part from the announcement last week that a demonstration held in April 1976 in honor of Chou En-lai in Tienanmen Square was now being interpreted as a revolutionary event. The change in status of the incident, earlier labeled as reactionary, made heroes of the people who had taken part in it.

The change in interpretation remains controversial and was made only by the Peking party committee, not by the national Central Committee or its inner circle, the Politburo. The affair remains a point of controversy within the leadership, which is believed to be holding a major party gathering in Peking now.

Resolutions Questioned

In 1976, immediately after the Tienanmen incident, the Politburo, "on the proposal" of Mao, adopted two resolutions. One dismissed Teng Hsiao-ping, Chou's presumed successor-designate, from all his posts — Mr. Teng has since returned to power — and the other made Mr. Hua the premier and a deputy chairman of the party.

Another poster yesterday questioned these actions. "The two resolutions are not products of Marxism but the willful products of futile, fascist dictatorship," the poster said. "They went against democracy and the legal system. They violated the people's will. As far as we know, China is a people's republic and not a feudal dynastic state. People have the right to appoint and dismiss their servants."

The poster noted that, under the constitution, the premier must be appointed by the National People's Congress, the legislature. But "the two resolutions deprived the Standing Committee of the National People's Congress of its right to appoint and dismiss." The action should not have been taken "just by the will of certain chiefs, which is the case in a feudal, fascist dictatorship."

Hence, the poster concluded, "the two resolutions should be publicly canceled to affirm legality." That amounts to a call for Mr. Hua's dismissal as premier if not as party chairman, to which he was later appointed legally by a full party congress.

The new posters, which are unlikely to have been put up without official backing, raise a number of questions. Who is behind them? Mr. Teng, the pragmatic 74-year-old leader who is the architect of China's modernization program?

Have the posters developed a momentum of their own, going beyond what Mr. Teng intended? Will they induce the leadership to crack down in fear that the movement is going too far?

Another new poster said Mao had become "muddled in his old age" and, as a result, had raised Lin Piao, the reviled former defense minister, to power in the Cultural Revolution.

"Why can't the national economy catch up with the one on Taiwan controlled by the Chiang Kai-shek clique?" the poster asked, in an extraordinary question. "Now we are speaking out what is really on our minds. How we wished Chairman Mao could have listened modestly to our opinions. It's a pity he can't do so now."

Mount Etna Erupts With New Intensity

CATANIA, Sicily, Nov. 26 (Reuters) — Mount Etna, Europe's largest active volcano, erupted violently last night with jets of lava spewing 500 meters above its summit.

Lava was flowing down the southeast flank of the 3,320-meter mountain but posed no immediate threat to outlying villages, officials said. The eruptions on Etna, at the rate of up to three explosions an hour, began last Monday after the volcano had been dormant since the summer. They became more intense last night.

Australian Crash Kills 5

PORT AUGUSTA, Australia, Nov. 26 (Reuters) — An Australian Air Force helicopter crashed during a military exercise near here yesterday, killing all five crewmen aboard.

UN Study Calls Coal Vital Fuel

GENEVA, Nov. 26 (Reuters) — Coal is the only raw material th[at] can meet long-term energy nee[ds] and the demands of the chemi[cal] industry in Europe and Nor[th] America, a UN study has reported.

But most coal-producing cou[n]tries find it hard to maintain outp[ut] because of the uncertain econom[ic] future and doubts about whethe[r] new coal-based processes will b[e] profitable, the UN Economic Com[]mission for Europe said.

"All estimates of future energ[y] production and consumption nee[ds] indicate that neither increased pro[]duction of natural gas nor the in[]tensive development of nuclear en[]ergy will be able to satisfy worl[d] energy demand," the report said. It called for immediate steps to pro[]mote coal development.

In Transvaal Election

A Hardliner on Apartheid Wins Key S. African Vote

By John F. Burns

PRETORIA, South Africa, Nov. 26 (NYT) — Prospects for an evolution toward wider rights for South African blacks dimmed yesterday with the election of a hardline white supremacist, Andries Treurnicht, as leader of the ruling National Party in populous Transvaal province.

As Transvaal leader, Mr. Treurnicht will head a party apparatus that controls nearly as many seats in the all-white Parliament as the other three provinces together. The position automatically makes him the most powerful political leader in the country after Prime Minister P.W. Botha, who is the party's national leader.

Mr. Treurnicht's victory, by a 63-45 vote over Labor Minister Stephanus Botha, a candidate of the party's reform wing, was the culmination of a lengthy struggle between the two factions in the party. The Treurnicht wing has opposed almost all the modest racial reforms introduced in recent years, saying that they ultimately will lead to domination of the white minority by blacks.

Mr. Treurnicht, 57, dubbed "Dr. No" by the antigovernment press, has argued that even minor concessions to blacks — for example, allowing multiracial hotels and theaters — will eventually bring down the entire structure of white power.

Upholding Tradition

At a time when the government has been cautiously moving away from the rigid apartheid concepts laid down by Prime Minister Hendrik Voerwoerd, the principal architect of the racial system, Mr. Treurnicht has vigorously defended the Voerwoerd heritage. Like Mr. Voerwoerd, who was assassinated in 1966, Mr. Treurnicht has been a minister in the Dutch Reformed Church, editor of an influential Afrikaans newspaper and a parliamentarian.

He has not made a secret of his ambition to become prime minister, a post for which he would be a favorite if Mr. Botha stepped down. In the meantime, his election as Transvaal leader places heavy pressure on Mr. Botha to appoint him to a senior Cabinet post. Last week, Mr. Botha passed him over in a Cabinet shuffle, leaving him in the relatively minor post of deputy minister for black affairs.

After yesterday 's vote, Mr. Treurnicht said that, despite his views on racial reform, he is a realist who would place the national interest first. He also said he would endeavor to maintain the unity of the ruling party, an allusion to widespread press predictions — some in pro-government papers — that the party will break up if the Treurnicht faction uses its new power to block racial changes regarded by the reform wing as essential to white long-term future.

Although a split is seen as unlikely in the short term, some reformers believe that it ultimately could aid the prospects for reconciliation between whites and blacks. Freed of the deadweight of the conservative faction, the reformers might be able to form a new ruling coalition with elements of the existing opposition parties, which favor varying forms of power-sharing with blacks.

However, a more likely outcome of Mr. Treurnicht's rise to power is a slowdown in racial reform as the two factions in the party seek to maintain a show of solidarity. Prime Minister Botha, like his predecessor, John Vorster, is likely to consider party unity an overriding priority.

The concern for party unity goes to the roots of Afrikaner history. After the great trek in the 1830s and the Boer War at the turn of the century, the Dutch-descended Afrikaners developed a determination to regain control of the country from English-speaking whites whom they saw as interlopers. The political expression of this drive was the National Party, founded in 1914, which eventually took power in 1948.

In its three decades in office, the party has worked to consolidate Afrikaner power by placing Afrikaners in almost every position of power in the government and by extending the racial laws to hold off blacks. Despite growing internal dissension on racial matters, especially since the Soweto riots in 1976, fear of a schism that would weaken Afrikaner power to the benefit of English-speaking whites and blacks has succeeded in holding the factions together.

In his eight weeks in office, Prime Minister Botha has backed limited racial reform, pushing for early implementation of a constitutional reform plan — opposed by Mr. Treurnicht — that would give a share of national power to Indians and those of mixed race. But the new government leader will have to tread warily in his relations with Mr. Treurnicht, who has the advantage of being the party's most eloquent public speaker.

A clash between the two men could occur Dec. 7 when Mr. Botha will tell Parliament what actions the government intends to take against officials involved in a burgeoning political and financial scandal surrounding the Information Ministry. Mr. Treurnicht, a strict Calvinist, is believed to favor tough action against any proven wrongdoers.

Hitler Disc Banned From Paris Auction

PARIS, Nov. 26 (AP) — The sale of a disc reproducing a speech of Hitler in 1933 has been banned by Paris police — the third time in a week that auctions recalling the Nazi regime have been forbidden in France.

The recording was to have been sold at a downtown Paris hotel this weekend but was removed from the auction of old records owned by a pre-war private radio station.

Earlier this week, Paris police chief Pierre Somveille announced he was forbidding a planned auction of objects belonging to Hitler from taking place at the central Paris auction house on Dec. 5.

Heady Days Are Over

Nigeria Trying to Avoid Drowning in Oil

By David Lamb

LAGOS, Nigeria, Nov. 26 — They were heady days, bursting with the excitement of sudden wealth, full of visions that knew no bounds: Nigeria had oil!

Almost overnight, Nigeria began walking with a swagger. Millionaires emerged; a privileged class was born. The able-bodied left their farms and poured into Lagos and Port Harcourt and Ibadan. And Nigeria began writing checks to finance its dreams of grandeur at home and prestige abroad.

The morning after was inevitable, but in those days plans were made or ground broken for seven additional universities, 13 new television stations, 34 new prisons, new international airports, new stadiums and a new federal capital. Money was no object, and in 1975 civil servants won 60-percent pay raises, backdated tax-free for 10 months, followed by similar increases for the trade unions.

More than $3 billion was set aside to overhaul the communications system, $3 billion more to build 13,000 miles of roads and $2 billion for a petrochemical plant. An international black arts festival was held for $200 million and an international trade fair for $100 million. A vanguard of 50,000 young Nigerians was sent overseas to train as technicians.

Cushioned by oil revenues that shot from less than $400 million annually in the early 1960s to more than $9 billion a dozen years later, Nigeria put together a five-year development plan (1975-80) that in reality was only a shopping list, establishing no clear priorities other than growth itself. The plan was based on pumping 3 million barrels of low-sulfur crude a day, about one-third more than Nigeria actually will produce because of diminished world demands.

Today this country of 80 million is learning the danger of having a one-commodity economy. Although it remains the most dynamic country in black Africa, Nigeria knows that petrodollars alone will not bring prosperity, and the world's sixth largest oil producer is modifying its ambitious goals and preparing for penny-pinching frugality.

"We must all embark on the greatest care and economy in expenditure by all public institutions, and a return to sanity in the interests of the national economy," the head of state, Lt. Gen. Olusegun Obasanjo, said recently. "The nation must cut its coat according to its cloth."

The government has auctioned 2,000 official limousines, frozen wages and prices to stem the 30-percent inflation rate, cut back expenditures by 10 percent, banned a lengthy list of imports ranging from toothpicks to macaroni, scaled down many of its development projects and restricted the release of foreign exchange. By the end of the year, Pan American World Airways will have $8 milion tied up here in local currency that is not convertible into a hard currency.

No Government Coordination

Some of the problems are of Nigeria's own making, reflecting bureaucratic inefficiency and technical inexpertise: The government overspent with virtually no coordination between departments, a situation that many unscrupulous businessmen were happy to exploit.

The government, for instance, gave contractors 30 percent of costs in advance for construction jobs because of high start-up expenses in Nigeria. Some contractors merely pocketed the millions of dollars of advances and returned to Europe or the United States, having invested little more than the price of an airplane ticket and a hotel room. On other occasions, Nigeria ordered technological equipment overseas, made payment after a bill of lading was received and ended up with crates full of sand.

Other problems are the result of Nigeria's dependence on oil, which accounts for 85 percent of government revenues. From a peak production of 2.3 million barrels a day in 1974, production fell to a low last March of 1.5 million barrels. Economists attribute the decline largley to Nigeria's poor pricing policy and supplies of low sulfur crude coming on stream in the North Sea and Alaska.

Hoping to alleviate the decline, Nigeria cut its prices by 51 cents per barrel between last January and April. The new pricing policy, combined with Saudi Arabia's cutback of low sulfur exports, has helped push Nigeria's daily production back to slightly more than 2 million barrels a day, a pace the industry should be able to sustain, economists say.

30-Year Reserve

Nigeria, which owns 55 percent of its oil industry, has known reserves of 2.7 billion tons, enough to last 30 to 40 years at the present extracton rate. Nigeria also has huge natural gas reserves that are being exploited, with exportation expected to start in the early 1980s.

As a member of the Oil Producing and Exporting Countries, Nigeria has been moderate. Although it is a capitalistic nation with a new constitution taken from the U.S. model, Nigeria follows a foreign policy of nonalignment. It continued to sell oil to the United States during the 1973 oil embargo.

This year Nigeria will have to borrow $4.5 billion to finance its development. About half of the amount will come from overseas lenders, thus increasing Nigeria's dependence on Western money interests. Last January, Nigeria obtained a $1 billion loan — the largest ever granted to a black African nation — from a consortium of Western banks.

The boom has faded and Lagos remains one of the world's most chaotic cities. But more than anywhere else in black Africa, one is struck by the sense that Nigeria is alive, pulsating, robust, cocky.

African businessmen in Western suits hustle at a New York City-pace along financial row on Broad Street. Taxi drivers roar — or more often, inch — through the narrow, dirty streets of Lagos, their horns blaring incessantly, bickering with their sweating passengers over the price of the ride. The marketplaces teem with the poor and the wealthy suburbs are filled with the rich.

Rural Exodus

Oil has provided Nigeria with its gusto, but it also has created many of its problems. Foremost among them is a rural exodus that has swollen the cities to unmanageable sizes, left the agricultural sector in a state of serious decline and all but crippled the existing urban infrastructure.

Corruption has become epidemic with the advent of fast, easy money. Purges of the bureaucracy to rid it of graft and inefficiency have left the civil service paralyzed, with few willing to make the smallest decision. Educational standards have declined so dramatically that most Nigerians with sufficient funds send their children to school abroad.

The military government, which next October will hand over the reins to civilians, shows every indication of being serious in its attempt to reduce expenditures, diversify the economy, cut waste and graft and start living within its means.

The alternative, it acknowledges, is to deny the one big dream that Nigeria has for itself: to emerge as black Africa's first real power and first developed nation.

: Los Angeles Times

Arabs Start Adjusting to World Market

Boom Time Ending in Oil-Rich States

By J.P. Smith

SHARJAH, United Arab Emirates (WP) — At first glance, the luxury high-rise apartment houses lining Boorj Avenue resemble the ocean-front towers along Collins Avenue in Miami Beach. Most of the time, however, the only sound to be heard is the creak of loose scaffolding swinging in the hot breeze. Sharjah, which built far beyond its tiny population's needs, resembles a ghost town.

Just up the Gulf, Dubai is completing construction of a drydock that will accommodate supertankers twice the size of any ship yet built. Most experts agree that the drydock will not be profitable for decades.

Kuwait, anxious to keep its contractors occupied, is busily tearing down buildings to put up new ones. Most of the structures being razed are less than 10 years old.

In Saudi Arabia, a new international airport is being built outside Jiddah to help handle the millions of Moslems who make the annual pilgrimage to Mecca. The cost: $7 billion — 10 times that of the most expensive new airport in the United States, at Dallas-Fort Worth.

With more than $50 billion in oil revenue to spend annually, the Arab states that line the Gulf have become the 20th-century El Dorado. They are the envy of every developing country in the world.

Olympian Plans

But in the five years since the Gulf Arabs' wealth soared dramatically, many of the Olympian development plans they launched have gone amiss.

"There was a false sense of security on the Gulf that everything was possible," remarked Yusuf Shirawi, Bahrain's minister of industry and development.

A major problem was that the feudal rules of the tiny sheikhdoms along the Gulf tended at the outset to give priority to projects that they felt symbolized a modern state.

Dubai and Sharjah, for instance, both felt they had to have modern airports capable of handling jumbo jets. The two resulting airports are much closer together than Washington's National and Dulles, and Dubai's airport is closer to Sharjah than to the city of Dubai.

In all, four modern international airports now serve the string of seven states that have become the United Arab Emirates. Transportation experts say one airport — two at the most — would handle the foreseeable traffic with ease.

Competition for Prestige

"All of the Gulf states somehow got caught up in this competition for national prestige," a U.S. diplomat said.

The inclination of the Gulf states to sign up for expensive prestige projects was undoubtedly helped along by Western businesmen and promoters eager to turn a fast petrodollar.

Dubai contracted to build more than 70 shipping berths at the port of Jebal Ali — a project that will give the tiny state, for reasons obvious only to its ruler, a larger port capacity than New York City. Bahrain built an aluminum plant. Qatar ordered up a steel mill.

Few rulers seem to have given much thought in these heady days to whether there was any need for these installations or whether their products would be competitive on the world market.

Because most of the aluminum market in industrialized countries is under some form of trade protection, Bahrain wound up initially stacking nearly all its aluminum production outside the plant.

Even countries with seemingly bottomless oil wells, however, could not afford to continue wasting money at this breakneck pace indefinitely.

"The Wild West days came to an end in 1976," said Steven Buck, a commercial attache at the U.S. Embassy in Kuwait. Mr. Shirawi saw June 1977 as a turning point, when the Saudi government turned down a bid to construct a power plant for the heretical reason that the estimate was simply too high.

The shift to a more conservative view of development all along the Gulf coincided with the first indications of an easing in the world demand for oil.

"We have had a big boom," observed Mana Saeed Otaiba, oil minister of the United Arab Emirates. "But it cannot be maintained if we have to go through the economic cycle."

One result of this more realistic outlook was this spring's crash of the Kuwaiti stock market after a year of wild speculation that had often seen prices double in weeks.

Prices Slacken

Elsewhere around the Gulf, real estate prices — driven up as much as 1,000 percent by oil fever — began to soften. In Saudi Arabia, the inflation rate, which had been running at 40 percent, dropped to around 10 percent.

Saudi Arabia also has taken note of the difficulties it can expect in breaking into established world markets by enlisting Mobil, Shell and other U.S. firms in its effort to build petrochemical plants and huge oil refineries.

The Saudi hope is that these U.S. companies will help the new Saudi plants gain access to Western markets for their refined petroleum products. Even this hope may rest on a shaky footing.

Ghazi Gosabi, the Saudi minister of industry, said that his government expected to capture only 5 percent of the world market for refined petroleum and petrochemical products when its new plants are operating at full capacity.

Even today, however, there is a world glut of refinery and petrochemical plant capacity. Some plants are operating at less than 70 percent of capacity. Western companies seem unlikely to let Saudi Arabia move into an already crowded market without a fight.

"Why should they expect that we cut back our petrochemical plants to subsidize theirs?" asks James Reddington of the Paris-based International Energy Agency.

The outlook for development in the Gulf — even well thought-out development — thus looks highly uncertain.

"The really monumental failures," one Western diplomat warned, "are still down the line."

A number of Gulf leaders, moreover, are rapidly becoming aware that they face a clouded future. "There is a lot of soul-searching going on now on the Gulf," Mr. Shirawi said. "This is a time of reckoning."

U.S. Scientist Assails Report Of Soviet A-Blast

LOS ALAMOS, N.M., Nov. 26 (UPI) — The director of the Los Alamos Scientific Laboratory, Harold Agnew, voiced his skepticism over reports by an exiled Soviet scientist of a nuclear-waste disaster in the Soviet Union two decades ago.

Zhores Medvedev, who held a series of lectures last week in Albuquerque, recently wrote an article in a British science magazine, contending that thousands of persons died in a 1,000-square mile area contaminated by a 1958 explosion at a nuclear-waste site in the Ural Mountains.

After questioning Mr. Medvedev extensively, Mr. Agnew said: "To me, it is strange that if such a large area was contaminated, someone else hasn't said something about it. Only Medvedev and one other person claim any knowledge of the disaster."

When asked if he could name any Soviet colleagues that would confirm his reports, Mr. Medvedev said that he could produce a list of such scientists but that they probably would not want to answer questions. He also said that evidence to support his information could be found in CIA files.

Chirac's Leg Broken In an Auto Accident

USSEL, France, Nov. 26 (AP) — Jacques Chirac, mayor of Paris and leader of the Gaullist party, suffered a fractured leg in a road accident in southwest France early today.

An official car in which he was being driven skidded on an icy road during a snowfall and crashed into a tree. The driver had minor injuries. Ussel Hospital said Mr. Chirac, 46, would be flown to Paris in an ambulance aircraft for an operation.

Nkomo Rebels Say Australians Aid Rhodesia

LUSAKA, Nov. 26 (Reuters) — Joshua Nkomo's Rhodesian nationalist guerrillas yesterday accused Australia of sending aborigines to fight with Rhodesians in the country's bush war.

"When they are being recruited they are told that they are going to fight short people with big heads who use only bows and arrows," the Zimbabwe Peoples Voice, the official weekly publication of the Zimbabwe African Peoples Union, said today.

"As a result, the aborigines have a habit of charging into guerrillas as if indeed the latter were armed with no more than bows and arrows," the Voice said. "To their dismay, they have been confronted with sophisticated weapons and, above all, normal size human beings who are more than anyone's match as fighters. The aborigines are thus being killed like flies in the war in Zimbabwe."

The Voice said that the presence of the aborigines had been confirmed on Oct. 19, during a Rhodesian raid into Zambia.

Mengistu in East Berlin

MOSCOW, Nov. 26 (AP) — Lt. Col. Mengistu Haile Mariam, the Ethiopian leader, arrived in East Berlin "for a friendly visit," after signing a treaty of friendship and cooperation with the Soviet Union, Tass said today.

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A Libretto for SALT

Observing the politics of SALT these days is like spending a night at the opera. Emotions are rising all around but it is virtually impossible to follow the story. The arms-control treaty still lies hidden in the wings but expert factions have formed on stage. President Carter acts scared, throwing money around to appease the treaty's likely opponents and even threatening to call it an "executive agreement" to evade the Senate's two-thirds majority rule. But he also talks serenely about the Russians' strength and intentions as though only paranoids would worry about them. The Soviet leaders, meanwhile, boast to visiting senators that they well understand our ratification process while demonstrating precisely the opposite; they will not be much help.

Is it really too late to provide for an orderly debate of this important subject?

• An agreement with a foreign government affecting the security of the nation is a treaty subject to the approval of 67 senators. If that is not Mr. Carter's reading of the Constitution, it ought at least to be his understanding of what Congress thinks.

• The debate of an arms-control agreement *should* not turn on anonymous disclosures of its major provisions. The privacy that negotiation once required is now routinely violated. So the treaty's main points need to be — and could be — published with the president's analysis of their bearing on Soviet and American forces.

• Mr. Carter's piecemeal bribery of the military lobby has become dangerous as well as cynical. If the price of ratifying SALT requires exempting the Pentagon budget from next year's budget-cutting, wasting funds on zany civil defense schemes and rushing development of the MX and Trident 2 missiles, it may be too high for constituencies normally disposed toward arms control. Spending for military projects must be defensible on security grounds alone; arms control should not be stimulating arms expenditures.

Above all, the treaty debate needs to be focused on our underlying premises about Soviet military planning and capacities. The main questions for treaty advocates and opponents alike seem fairly clear:

(1) Can the continuing Soviet military buildup be explained as essentially defensive, allowing for exaggeration of the danger that Moscow sees on several fronts? (2) Is nuclear *arms control consistent with the Soviet*-American rivalry for influence in various parts of the world? (3) Is the power of both nations to deter attack with the threat of a devastating counterattack secure for the foreseeable future? And, (4) how sure can anyone be that the Russians will hold this doctrine of mutual deterrence through the period of the proposed limitations?

Mr. Carter, at last, has implicitly recognized those questions — most notably in a recent conversation with Bill Moyers on public television. We can find no better way to highlight the discussion than to direct attention, with some emphasis added, to his main points:

"To be perhaps excessively generous, but not too far off the mark," Mr. Carter said, "I think first of all [the Russians] want peace and security for their own people and they undoubtedly exaggerate any apparent threat to themselves — *and have to, to be sure that they are able to protect themselves.*

"At the same time, *as is the case with us,* they would like to expand their influence among other people in the world, believing that their system of government, their philosophy, is the best. . .

"They spend more than twice as much of their gross national product on military matters but we are still much stronger *and we will always be stronger than they are, at least in our lifetimes.* . . We can absorb, even if we had to, an attack by the Soviets and still destroy their country, *and they know it.* And vice versa. . .

"We don't intend to evolve, *and neither do the Soviets intend to evolve,* a capability to destroy the other nation without ourselves being destroyed by nuclear forces."

The president has given his answers; we await his evidence.

THE NEW YORK TIMES.

World Population

There is no denying the importance — psychological and otherwise — of the U.S. Census Bureau's report that the *rate* of growth of *the world's population is apparently* declining for the first time in three centuries. Population itself, it needs to be emphasized, is still growing at an epidemic rate of perhaps 1.9 percent, adding 80 million people (two Egypts, one Bangladesh) a year. And the rate of growth is down by a mere tenth of a percentage point, which is only about 4 million people (another Chad or El Salvador). But the decline conveys an unmistakable sense of a *shift of immense forces. At least, it suggests* the world is not fated to be overwhelmed by a rising tide of people. It implies that a measure of control over the global condition is perhaps restored.

The Census Bureau is the most conservative estimator around, and it is only confirming estimates previously made by others. So there seems little reason to challenge the basic slowdown it has now detected. The estimate relies heavily on China, which contains almost a quarter of mankind, but other expert estimates of China's trends have indicated even greater declines in its birth rate.

Less certain is why the rate has declined. Is it a result of family-planning programs, or overall development, or some mix of both? A "great debate" on this question continues. It's not academic. On the answer hinge fateful decisions on the direction and pace of economic and social planning all over the world.

The Census Bureau, inspecting its own new figures, declares that "the world population crisis appears resolvable." One must take this as an expression of hope. The new slower rate of world growth is still substantially more than double the U.S. rate of population increase, and the rate in selected *regions (Africa), countries and sections* of countries has not turned around. Even if — a huge if — the overall rate continues to fall steadily, a zero rate would not be reached for almost 50 years. Even then the ratio of young people would insure that population would continue to rise. One only has to think of the planet's current fix and then note that *optimists* see the world's population doubling, to 8 billion, in 30 years.

*Population growth, whether at the rate es*timated in the last generation or the rate expected in the next, is a relentless force, imposing brutal demands on the world's resources and feeding social and political turbulence everywhere. Relief at a welcome but small change in the numbers cannot be allowed to disguise this pervasive fact.

President Eisenhower, regarding family planning as a "personal" matter, kept the *United States officially aloof. A connection* between runaway growth rates and the sort of global instability harmful to U.S. national security began to be perceived in the early 1960s. But only under President Johnson did the United States start developing effective family-planning programs. More recently, the Third World's concern for development, too often gratuitously counterposed to family planning, has diminished official American ardor for these programs. Ironically, this is happening just as their fruits, or so the family planners believe, are showing up in the global population statistics.

THE WASHINGTON POST.

International Opinion

U.K. Monetary Policy

In 18 years of exchange-rate stability and consequent low inflation under the Bretton Woods system, [Britain] failed to discover the secret of faster growth. There are many possible explanations — loss of empire and a slow adaptation to new realities, insular management and the class system have all been blamed. Certainly one cause, which was still not fully learned as recently as last April, was a constant drain of resources into the public sector faster than the economy could provide them. Under present floating arrangements, monetary policy has emerged as the key to exchange-rate management, and is now an equally firm commitment. But the government has only now possibly learned, from a financially disappointing summer, that a firm monetary commitment entails a clear limit of fiscal freedom. The policy is unnecessarily costly now because of excessive government borrowing. In spite of this, some progress is visible. Inflation remains in check, and the economic indicators still show the recovery which resulted from reduced infflation."

— From the Financial Times (London).

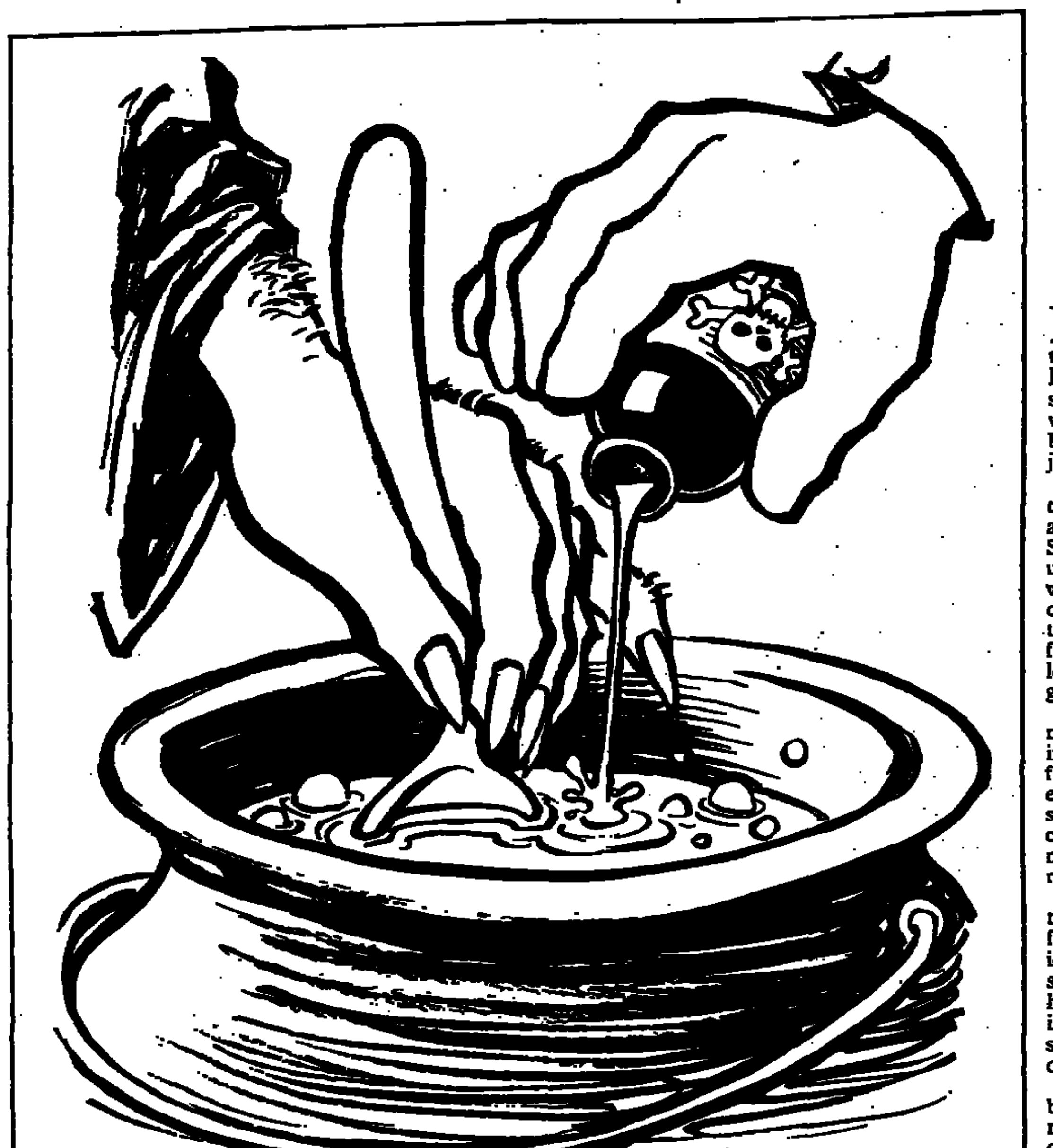
In the International Edition

Seventy-Five Years Ago
November 27, 1903

LONDON — The recent arrival of Mr. William Jennings Bryan, twice unsuccessful candidate for president, has raised a curious problem of etiquette. It was against President Roosevelt that Mr. Bryan last failed, and the question was how should Roosevelt's ambassador to Britain act towards this uninvited guest. With grace. Ambassador Choate gave a luncheon for Mr. Bryan at Carlton House terrace. Mr. Arthur Balfour and others attended. Meanwhile, the visit of British parliamentary officials to Paris, which raises no such problems, is proceeding admirably.
November 27, 1928

Fifty Years Ago
November 27, 1928

LITTLE ROCK, Arkansas — The Arkansas superintendent of Public Instruction has banned Webster's Dictionary from use in any educational institution in the state by reason of the recently enacted anti-evolution measure. The new law forbids any book to say that man "descended or ascended from a lower order of animals." The dictionary describes evolution as a theory based on facts abundantly disclosed by every branch of biological study. Since this is false in Arkansas, the dictionary must be removed from all school libraries under legal penalty.



The Devil and Mr. Jones

The Decline of Manners

By James Reston

WASHINGTON — Some very odd things have been happening recently in the conduct of relations between nations. For one thing, there has been a decline in manners. For another, a confusion of responsibility and authority. Some examples:

• At a sensitive point in the Middle East peace negotiations, the semi-official Egyptian newspaper, Al Ahram, suddenly publishes what it describes as the official text of the Israeli-Egyptian peace treaty, which is still in dispute and negotiation. Why should the United States have to be surprised by such a propaganda trick?

• At the same time, the Israeli foreign minister, Moshe Dayan, complains to Israeli diplomatic correspondents that the United States has not been fair and evenhanded in dealing with the Middle East negotiations, but has tended to favor the Egyptians. This from the Israelis, who have been more favored by American foreign policy than any other nation on earth?

• At an equally delicate moment in the U.S.-Soviet negotiations for a strategic nuclear arms agreement, it is "disclosed" or "leaked" that the Soviet Union has sent to Cuba some MiG-23 airplanes, which may have the capacity to drop nuclear bombs on the United States. More on this later.

• Meanwhile, a congressman from California, accompanied by television crews, goes to Guyana in Latin America, with the admirable aim of finding out what is happening to the citizens of his own congressional district, and stumbles into a grisly tragedy in which he loses his own life and the lives of many others.

So something is clearly wrong here. If there is any common thread that explains these quite different things, it is an absence of trust. It has always been true in a way, but the decline of manners, the confusion of responsibility and authority are now getting much more serious.

It is not reasonable to believe that Al Ahram would publish the disputed Israeli-Egyptian peace treaty without the approval of President Sadat. It is also hard to understand why Dayan would attack the United States for being pro-Egyptian, since Washington not only helped create the state of Israel, *but has given Israel the "most* favored nation" treatment ever since the last world war.

But something is beginning to change in the diplomacy of the world. President Carter, Secretary of State Vance, and Zbigniew Brzezinski, the chairman of the president's National Security Council, are taking a much tougher line.

To be frank about it, they are no longer willing to ignore Sadat's publication of the text of the Israeli-Egyptian peace treaty, or Dayan's charges of unfair or pro-Egyptian U.S. handling of the Middle East peace negotiations.

Public Smiles

Carter and Vance have been smiling about all this in public, but they are obviously irritated about it in private — particularly about what they regard as efforts by Sadat and Begin and Dayan to abuse them and take their peace efforts for granted.

This goes as well for the officials in the Pentagon, whoever they are — and the White House is trying to run them down — who have been putting out scare stories about the MiG-23s in Cuba in order to block a strategic arms agreement with the Soviet Union.

The administration has known for almost a year that the MiG-23s were going to Cuba. It has informed the Armed Services and Foreign Relations Committees of the Congress of this fact, and has given them all the information available about the limited threat, as it sees it, of these planes.

What has troubled the administration, however, is that the opponents of the strategic arms agreement, and particularly members of the Joint Chiefs of Staff or their aides, have tried to use this MiG-23 deal as a propaganda weapon against a SALT II treaty with the Soviet Union.

When Sen. Abraham Ribicoff of Connecticut made an issue of the MiG-23s with Premier Kosygin in the Kremlin recently, Sen. John Glenn of Ohio told him that he had known about the MiG-23 deal for

Glenn's Argument

Any airplane could carry a nuclear weapon, Glenn said. He had a little plane of his own, and anybody could roll a nuclear weapon out the door of a Piper Cub, but the MiG-23s in Cuba, he said, were no arguments for raising objections to the control of strategic nuclear weapons.

Even so, the conduct of foreign policy is no longer a precise process of quiet negotiations between trained professionals, if it ever was, but increasingly a noisy and disorderly game of politics and propaganda played by amateurs who don't really know where they are going.

The tragedy in Guyana dramatizes the point. In popular terms, it seemed a reasonable investigation by a congressman and the press — good intentions, good TV pictures, good politics — but the actors on that tragic stage knew very little about the strange world of Guyana or the jungle, or the mad magic of Jim Jones, or the demented faith of his followers.

So there is a fundamental problem here between the old professional and the new amateur political and propagandistic diplomacy. The old ways had their faults, but privacy, manners, and the clear authority of the executive branch of the government under the Constitution clearly have their uses.

The International Herald Tribune welcomes letters from readers. Short letters have a better chance of being published. All letters are subject to condensation for space reasons. Anonymous letters will not be considered for publication. Writers may request that their letters be signed only with initials but preference will be given to those fully signed and bearing the writer's complete address. The Herald Tribune cannot acknowledge letters sent to the editor.

Notes From New Delhi

Politics Industry In City of Words

By William Borders

NEW DELHI (NYT) — One torrid day this summer, as the temperature passed 115 degrees Fahrenheit, a Jordanian diplomat stationed here went by the shop where his broken refigerator was being repaired to find out why the job was taking so long.

To his great distress he learned that the repairman had put the task aside to work on someone else's. So, in a gesture of rage that was understandable to anyone who wants a cold drink on a summer day in Delhi, the frazzled diplomat took out a pistol and shot the refrigerator in its door, causing a diplomatic incident that sustained this gossipy capital for quite some time.

Now, as the crisp, cool air of fall mercifully begins creeping back into the city of 4 million, the season for shooting refrigerators has yielded to "the season," a time of frantic social and diplomatic activity that contrasts with the torpor of summer and softens its sorrier memories.

Women wear sweaters under their saris now when they step out for an evening's round of diplomatic receptions, and men, who were in shirtsleeves all summer at even the highest official level, begin appearing in suits or, if they dress Indian style, in fine Kashmir wool shawls of brown or tan.

New Delhi, with nearly 100 embassies and other foreign missions, regards itself as one of the major capitals. Its governmental and diplomatic scene, much more visible than in, say, Tokyo or London, tends to set the pace of the daily lives of many because, as in a custom-made capital like Washington, it has no great history or industry of its own.

National Day

"An invitation to a major embassy function is quite prized," explained a businessman as he sipped a whisky and soda at one of the dozens of lavish National Day receptions and noted which officials and ambassadors were there and which were absent.

If the host of that party, a European envoy, had been lucky enough to entice any Cabinet ministers, then the guests would have been sipping not whisky but fruit juice since Prime Minister Morarji Desai's zeal for prohibition has produced, unofficially, the rule that the higher you go the drier it gets. Strong drink is still served at parties attended by even some high-ranking civil servants, although they are expected to abstain. But the alcohol disappears in the presence of Cabinet ministers, some of whom are said to take a private nip from time to time, and it is not unusual for an aide to telephone a host to make sure that no liquor will be served before a minister accepts an invitation.

Prohibition, which the prime minister has pledged to make total by 1982, is a major topic of conversation along the New Delhi cocktail circuit this fall as more and more mandated "dry days" creep into the official calendar.

In a more general way the talk in New Delhi, as in other capitals, is politics, politics, politics — Byzantine, banal, even boring, but relentless: Did you see the latest clever posture that Indira Gandhi has assumed in her attempt to make a comeback? Did you hear that there is a new alliance of disgruntled back-benchers trying to embarrass Mr. Desai by making charges against his son, and what do you think he will do about it?

Indians say that if Bombay is a city of commerce and Calcutta a city of art, then Delhi is a city of words, which come in a flood that never seems to end. Some residents complain that the words from the politicians and the officials are painfully irrelevant to such matters as the 200 million or 300 million Indians who did not get enough to eat today or the virtual collapse of the government's birth-control program.

The talk goes on: Do you think the defense minister, who is an *untouchable, can rally other* untouchables behind him in his feud with the former home minister, a high-caste Hindu who quit the Cabinet in a dispute with Mr. Desai? Will Mr. Desai reshuffle the Cabinet, and if he does, do you think he can get more Moslems and southerners into it?

Foreign diplomats, hungry for intelligence to put into messages back home, sometimes ask these questions a dozen times at a single reception. They press Indian journalists, officials and politicians, some of whom are frank to acknowledge that they attend the parties largely for the status and the otherwise unobtainable Scotch whisky or U.S. beer.

After Mr. Desai, the political guest who creates the greatest stir at such affairs is Mrs. Gandhi. She seldom made the diplomatic rounds when she was prime minister but has done so more frequently since being voted out early last year as a consequence of the controversial period of authoritarianism that became the finale of her 11 years in office. Even when she was prime minister, her arrival at a reception did not turn off the bar, although she says that, in the Hindu tradition, she drinks nothing stronger than fruit juice.

Vexing Question

Before her recent re-election to Parliament, a big step along the comeback trail, the matter of whether to invite her to this or that reception was a vexing one for diplomatic hosts. When former Chancellor Willy Brandt came for a visit last year, the West Germans invited her; when President Carter came this year, the U.S. ambassador, Robert Goheen, did not.

Mrs. Gandhi has long since stopped apologizing for her authoritarianism; indeed, she has even begun making the claim that India was a freer country in her day than it is now. Although her opponents consider her lack of remorse brazen — and they say so — her political strength is increasing steadily, and many conversations in the endless swirl of Delhi politics are now based on the premise that she might be in power again one day.

So the talk goes on and on and on in this city of words. As usual, a great deal of it seems scarcely more substantial than all that good gossip last summer about the perspiring diplomat who felt that the only course of honor lay in shooting the refrigerator.

Explaining Nixon to the French

By Adalbert de Segonzac

PARIS — Richard Nixon's visit to Paris, on his first trip to Europe since his resignation in 1974, once more brings up the controversy surrounding the former president of the United States.

For many Frenchmen, Nixon was the victim of a hostile U.S. press. And these people believe that Nixon did nothing worse than the presidents before him; his only mistake was getting caught.

Two former ministers, one of the Fifth Republic, and the other of the Fourth, asked recently: "Why did your American friends force out of office the best chief of state they have ever had." These politicians were merely repeating what I have been hearing everywhere since I returned from the United States last year.

The Watergate scandal is a very complicated matter for Frenchmen to understand. First of all, it could never have happened here.

Investigative reporting without fear of scandal or regard for the persons involved is a purely American form of journalism. This is due to the presidential type of government in the United States, where the press assumes the role of warning public opinion against governmental abuses. This does not mean that the press aims to destroy, but to seek and publish the truth; a task that is enhanced by the competitive spirit prevalent in the United States.

And, above all, if there had been no scandalous situation, there would have been no scandal.

Furthermore, the courts — independent in the United States to a degree that would be astonishing here — confirmed the accusations of the press. Not just one court, but all of those involved, from that of Judge Sirica, who first heard the case, to the Supreme Court, which turned down Nixon's request to withhold his "smoking gun" tapes from the public on the grounds that it would be damaging to the office of the presidency.

Watergate could never have happened here because Frenchmen do not have the same sense of civic responsibility that Americans do, because the idea that no man is above the law is inculcated in Americans from the very first day they start school; a tradition that in France is considered somewhat naive.

Frenchmen are much more cynical. They feel it normal that certain laws should be bypassed, ignored or violated, such as the law against tapping telephones. After all, they say, all governments do it.

But basically, the difficulty lies in the fact that the political systems, the political philosophies in France and in the United States are fundamentally different.

In their interpretation of Watergate, Frenchmen make one major mistake. What the United States holds against Nixon is not so much that Nixon's men tried to break into the headquarters of his political foes — as it is generally believed here — but that he lied about it afterward and that he got more and more stuck in a web of lies trying to hide his activities not only from the public but from the courts of his country, thereby undercutting his own role, which was to enforce the laws of the nation.

Unquestionably, some of his predecessors in the White House were guilty of the same sins, but never to the same extent. Never before Nixon has a *president of the* United States used his immense powers to perjure himself, to hide his mistakes behind the august monument of the presidency, to use government agencies one against the other, as he tried to do with the CIA and FBI.

Frenchmen may consider these to be venial sins. But American pragmatism is very different from the Cartesian rationalization of the French.

Americans recognize degrees of guilt. If a congressman gives in to the temptation of lying, that is regrettable, but tolerated to a certain extent under the political moral code in force there. On the other hand, the head of state must be beyond reproach and unassailable. He is the government of the United States. And a government that breaks its own laws would be a corruptive influence for society as a whole.

Among his other tasks, the president of the United States must uphold and protect the Constitution. If he does not follow the precepts of that document, he threatens its very existence. And if the constitution in France is a relatively ephemeral charter that is not held in much reverence — for France has often changed constitutions in the last two centuries — the Constitution of the United States is a sacred document that has been amended little since it was first promulgated in the 18th century.

The Constitution of the United States is the foundation on which all American undertakings are based. It *is,* in the words of a justice of the Supreme Court, "The United States of America."

In violating the Constitution, as Nixon did to further his nefarious interests, to hide, abuse, coerce, he shook the pilings of the American social structure. And it is this abuse of power, much more than his hatred of the press, that Americans hold against him.

Certainly, Nixon did some remarkable things as president. Even his fiercest critics will admit the success of his policies toward China and the Soviet Union; victories, it is true, that were waiting to be won. And he was intelligent enough to let Henry Kissinger try to bring about peace in the Middle East, although that did not stop him from listening in to his secretary of state's telephone conversations.

Nixon even managed to get through some internal political reforms for which he must be given credit. And he knew how to handle the problems created by the Communist world. But his suspicious bitter personality prevented him from adhering to the Constitution and made him try to change its meaning in attempting to increase his own power.

Most Americans believe that Nixon betrayed them, that he failed *in meeting the obligations of his* high position and fulfilling his duties toward the citizens of his country.

A majority of members of the Republican Party — of which he *was the leader — supported* a motion to impeach him.

Nixon discredited himself in the eyes of Americans even if he managed to hold on to some prestige overseas. He is through. The citizens of the United States want only to forget this dramatic interlude in their history, which, coming at the same time as the agony of Vietnam, came far too close to destroying the nation.

Mr. De Segonzac is a former North American bureau chief for the Paris daily France-Soir.

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The Euromarket — 1978

Shifting From a Dollar Standard to Multicurrency Reserves

Managing Syndications: The Year of the Japanese

By Christian Hemain

LONDON (IHT) — Never have so many lent to so few — but above all 1978 was the year of the Japanese banks. Although Citicorp was the top international establishment participating in the largest volume of syndicated Euroloan managements during the first 10 months of 1978, either as lead manager, manager or co-manager, Bank of Tokyo was a close second, illustrating the forceful intrusion of Japanese bankers in a field previously ruled by the West.

Banks from nine different countries, plus two consortia, appear in the top 50 managing groups over this period. The Japanese establishments are the greatest in number with 12 banks in the list. In addition to Bank of Tokyo are the Industrial Bank of Japan, Tokai Bank, Sanwa Bank, Fuji Bank, Mitsubishi Bank, Sumitomo Bank, Long-Term Credit Bank of Japan, Mitsui Bank, Dai-Ichi Kangyo Bank, Taiyo Kobe Bank and Nippon Credit Bank.

Following the Japanese muscle is the U.S. banking community with 11 banks, including, as well as Citicorp, Chase Manhattan, Bankers Trust, Manufacturers Hanover, Bank of America, Chemical Bank, Morgan Guaranty, Wells Fargo, First Chicago, Security Pacific and Continental Illinois. The first five of these American establishments appear in the top 10, whereas there are only two Japanese. This tends to indicate that the uninterrupted fall in spreads did not affect the Americans too negatively although the majority of them strongly resisted the general drop in margins. The performance of Chase Manhattan for the period has to be underlined. Even though Citicorp ranks as No. 1 by volume, Chase Manhattan is No. 1 by involvement in 94 deals.

German Banks

There are six German banks among the top 50 managers, but none of them appears in the first ten. Actually, it seems that the Japanese emergence is responsible for the decline in the importance of German houses. An interesting feature: Even though only slightly, the Westdeutsche Landesbank has superseded the powerful Deutsche Bank, Commerzbank and Dresdner. Generally speaking WestLB, which does not have private shareholders, appears to have been slightly more dynamic than the German private banks. The latter always point out that they cannot lend at too-low spreads because they have to provide their shareholders with a satisfactory return. This may be the answer, but the French nationalized banks, which rank as 18, 28 and 36, indicate that the type of shareholding does not affect aggressiveness as far as lending is concerned.

In fact, banks are competitive either because they have a larger volume of funds available for lending, or for commercial reasons. During the first seven months of 1978 for example, U.S. East Coast banks were much more active on the Euromarket than their West Coast counterparts because the demand for domestic loans was lower in the East than in the West.

The case of British banks is characteristic of a commercial approach. Two U.K. establishments, National Westminster and Lloyds Bank Internatioanl (LBI), are included in the top 10 with NatWest attaining the prestigious third place. NatWest is by nature very secretive, but it seems to have followed a similar policy to LBI, No. 10, which is much more forthcoming about its activities. Lloyds Bank International has never tried to hide the fact that a period of falling spreads can still be profitable for it. It allows the most competitive banks to enter into relationships with new customers, the commercial by-products of which compensate for the low margins granted on financial loans.

Of the five Canadian banks represented in the top 50, Toronto-Dominion has the largest volume of managements. However, Canadian establishments are generally more commited in managements and co-managements than in the leadership of international transactions. Bank of Montreal, which ranks as No. 34, is the exception and the most active. Of 49 loan managements recorded over the period, Bank of Montreal participated in 20 lead managements, while Toronto-Dominion lead-managed only 12 operations out of a total of 48.

Record Activity

The record activity in syndicated Euroloans during 1978 is shown by the large volume of managements in which each bank has participated. Citicorp, the No. 1, shows an impressive record of 90 participations in loans totaling more than $21 billion. At the other end, Credit Suisse is No. 50 with almost $5 billion through nine managements.

Thirty-one international establishments have each been committed in various managements of Eurocredits amounting to $10 billion plus. The great number of refinancings is obviously responsible for the incredible performance of the market in syndicated Euroloans in the first 10 months of 1978. The number of borrowers did not increase in proportion to the global volume of loans, but the amount of borrowing was so enormous that management groups have opened up to a greater number of banks than ever before.

Forecasts are difficult to make as to how the situation will develop in 1979. However, U.S. banks could well be more active in lendings on the Euromarket, and consequently in the management of syndicated Euroloans, following the measures taken to assist the dollar at the beginning of November.

These measures, and especially the policy of high short-term rates of interest, should accelerate the recession in the U.S. economy by the end of the first quarter of 1979. With the demand for industrial and commercial loans in the United States declining sharply, U.S. banks having excessive liquidity could be forced to lend more on the Euromarket.

TOP 50 MANAGING GROUPS OF BANKS IN SYNDICATED EUROLOANS

DURING THE FIRST 10 MONTHS OF 1978

		Volume of Loans ($ millions)	No. of Involvements	L*	M*	C*
1.	Citicorp	21,157.85	90	59	27	4
2.	The Bank of Tokyo	20,479.36	71	25	30	16
3.	National Westminster Bank	19,719.52	59	10	36	13
4.	Chase Manhattan	19,109.33	94	60	28	6
5.	Bankers Trust	15,002.10	48	16	25	7
6.	Manufacturers Hanover	14,757.25	55	27	21	7
7.	Toronto-Dominion	14,307.00	48	12	21	15
8.	Industrial Bank of Japan	13,978.54	46	12	22	12
9.	Bank of America	13,925.83	56	30	21	5
10.	Lloyds Bank International	13,923.68	50	19	23	8
11.	Tokai Bank	13,618.29	46	6	20	20
12.	Chemical Bank	13,382.09	51	18	22	11
13.	WestLB	13,374.83	46	23	18	5
14.	Sanwa Bank	13,326.27	39	4	15	20
15.	Deutsche Bank	13,269.04	47	27	17	3
16.	Morgan Guaranty	13,099.59	50	31	16	3
17.	Algemene Bank Nederland	12,485.49	32	7	20	5
18.	Banque Nationale de Paris	12,448.91	35	7	19	9
19.	Fuji Bank	12,267.09	32	1	17	14
20.	Mitsubishi Bank	12,081.67	30	2	16	12
21.	Barclays Bank	12,060.11	38	8	18	12
22.	Commerzbank	11,817.50	31	10	19	2
23.	Royal Bank of Canada	11,709.81	37	14	18	5
24.	Sumitomo Bank	11,367.09	25	3	13	9
25.	Amsterdam-Rotterdam Bank	10,765.05	37	10	19	8
26.	Dresdner	10,709.72	24	7	16	1
27.	Long-Term Credit Bank of Japan	10,668.43	38	14	17	7
28.	Societe Generale	10,518.00	36	9	22	5
29.	Mitsui Bank	10,517.09	28	3	11	14
30.	Union Bank of Switzerland	10,500.00	27	2	21	4
31.	Midland Bank	10,354.54	33	5	20	8
32.	Canadian Imperial Bank of Commerce	9,900.00	37	8	17	12
33.	Dai-Ichi Kangyo Bank	9,815.09	20	6	6	8
34.	Bank of Montreal	9,431.00	49	20	20	9
35.	DG Bank	9,299.58	30	3	16	11
36.	Credit Lyonnais	9,055.00	33	11	17	5
37.	Wells Fargo	8,583.70	22	5	8	9
38.	Bank of Nova Scotia	7,215.00	25	6	9	10
39.	Bank fuer Gemeinwirtschaft	6,914.57	20	2	10	8
40.	First Chicago	6,837.59	19	7	9	3
41.	Security Pacific	6,765.30	23	0	15	8
42.	Swiss Bank Corp.	6,665.56	19	8	7	4
43.	Societe Generale de Banque	6,654.00	28	3	14	11
44.	Continental Illinois	6,640.60	19	7	8	4
45.	Taiyo Kobe Bank	6,425.00	13	0	5	8
46.	Orion	5,658.56	24	8	10	6
47.	Kredietbank	5,312.79	27	6	14	7
48.	Nippon Credit Bank	5,194.71	32	6	13	13
49.	Banque Europeenne de Credit	4,978.00	34	8	17	9
50.	Credit Suisse	4,915.00	9	2	7	0

*L = Lead Manager *M = Manager *C = Co-Manager

(Source: Caploan International Finance Data Inc.)

Over-Liquid Dollar Mart A Symptom, Cause of Ills

By Carl Gewirtz

PARIS (IHT) — The Euromarket closed an important chapter this year on what is likely to be regarded as the least controversial and most useful period in its 20-year history: The recycling of the multibillion-dollar surplus of the oil exporting states is over.

In place of performing the highly praised and no-longer-needed function of financing the balance of payments deficits of the oil importers, the market has moved into a new area — financing industrial advancement in the Third World — and reverted to some old habits — serving as a springboard for currency speculation.

Both of these functions are a product of an over-liquid market resulting from the glut of dollars forced on the rest of the world by the enormous U.S. balance of payments deficit and the attendant flight from the dollar.

This may change radically during the coming months. With OPEC no longer a net supplier of funds, and the United States embarked on a tight-money policy and likely to finance its payments deficit by intervening in the foreign exchange market with Deutsche marks, Swiss francs and yen, the supply of dollars will be less plentiful.

While this implies a tightening of lending conditions in the dollar sector of the Euromarket, it does not necessarily mean hard times for prospective borrowers. The international supply of DM, Swiss francs and yen will be swelled by the U.S. intervention, and lending in those currencies may pick up — especially if the dollar is perceived to have stabilized and borrowers' fears about borrowing in "strong" currencies abate.

Some experts see the willingness of the United States to support the dollar by spending foreign currencies and the willingness of the West Germans, Swiss and Japanese to lend them the funds to do so on a scale not seen up to now as recognition by the authorities that the world has moved from a dollar standard to a multicurrency reserve system. Implicit in this shift is a growing international use of these other monies.

Borrowing

Overall, the oil exporters still have a massive $80.4 billion on deposit with banks in the Euromarket at the latest count. But since the first quarter of this year, these states have been borrowing more from the banks than they have been depositing. In the first three months of the year, new deposits increased $2.5 billion while loans extended to them rose $3 billion.

Later figures are still not available from the Bank for International Settlements (BIS), which is the official datakeeper of the market, but it is reliably reported that the trend continued on "a substantial scale" in the second quarter.

Future increases in the price of oil may temporarily alter this status, but the important point is that the massive adjustment the rest of the world was forced to make to the quintupling of prices four years ago is over.

"The role of the Eurocurrency market has on the whole been highly beneficial," says Alexandre Lamfalussy, the economic adviser to the BIS. "Without it, the intermediation of the OPEC surplus could not have taken place properly." But the market's main job of recycling those surpluses to deficit countries is completed.

"We are now in a situation in which the world balance of payments picture is much more balanced than at any time since the beginning of the OPEC surplus," he says, "with the obvious exception of the United States."

The U.S. practice of financing its deficit by issuing dollars has resulted in a mass of unwanted dollars sloshing around the international marketplace. The supply of dollars dwarfed the demand and, coupled with the increasing pace of U.S. inflation, resulted in a massive shift by private dollar holders into other monies whose international purchasing power appreciated.

"Without this liquidity, of course, there could not have been the kind of currency unrest which we have seen," observes Mr. Lamfalussy, "because if you do not have excess liquidity people would have been unable or unwilling to transform dollars into other currencies. . .Nonbank institutions were able to borrow dollars for clearly hedging, speculative purposes. They needed to get those dollars from somewhere. They got them from the banks.

"U.S. banks exported dollars on a very large scale. . .They supplied

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Increased Prepayment Is Plaguing Bankers

LONDON (IHT) — Agreements on syndicated Euroloans generally carry a clause allowing borrowers to prepay their debts. Prepayments, either to refinance the original credit at better conditions, or simply to wipe out a debt because of an improvement in the financial situation of the borrower, have plagued international bankers in 1978.

There are, of course, exceptions to every rule, and it is possible to find some loans without prepayment clauses.

An example is Nuclebras, which at the beginning of this month informed banks of its intention to prepay a $30 million credit signed in December, 1977, on the basis of a spread of 1⅞ during 5 years.

However, the lack of a prepayment clause in the Nuclebras loan agreement does not mean that the borrower will not be able to prepay its debt. It is difficult for international bankers to resist debtors who want to prepay.

In such a case, the question is one of negotiation power. For the banks involved in the Nuclebras transaction it would be extremely difficult to refuse the prepayment since the loan is guaranteed by the Federative Republic of Brazil itself. Simultaneously, the West Germans are so wrapped up in Brazil's nuclear development that it seems almost impossible for them to turn down Nuclebras' wish.

Banks are bursting with liquidity and spreads have dropped drastically. This, of course, has encouraged borrowers to refinance their former debts on the basis of lower margins and longer maturities. In other cases, the improvement in the balance of payments of various countries has allowed them to prepay loans originally raised to finance previous deficits. The Kingdom of Spain is one example. It decided in the third quarter of 1978 to prepay a $1 billion 5-year loan signed in August, 1976, because its balance of payments exceeded $7 billion.

Prepayments

Whatever the reasons, Eurobankers do not like to face prepayments because their returns could be lower if the loan is refinanced, or their portfolio is unbalanced if the loan is simply repaid. Tony Constance, the general manager of Manufacturers Hanover Ltd., summed up the feelings of the international banking community when he said: "The ideal would be no prepayments at all."

Unfortunately for bankers, the

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Tighter Credit Expected to Squeeze Third World

By Guillaume Basse

One effect will be to increase NODC [nonoil developing countries] debt service charges by several billion dollars . . . interest payments have been regularly increased in line with this year's rise in short-term Eurodollar interest rates.

LONDON (IHT) — There are several reasons for believing that the financial squeeze on non-oil developing countries (NODCs) will intensify next year and in 1980, causing a greater amount of debt rescheduling than has occurred so far.

In recent years the international credit markets have been extremely liquid, and a persistently large U.S. current account deficit and capital outflows have injected huge amounts of dollars into the Euromarkets. This happened at a time when most other industrial countries were following easy money policies in an effort to revive their economies and/or to protect their currencies from too much appreciation.

Now the scene seems to be changing. U.S. authorities have listed accelerating inflation as the nation's greatest problem. So credit has been tightened considerably. While short-term U.S. interest rates are still a point or two below the record highs of 1974, U.S. government bond yields recently have set record highs.

What will be the impact of tighter U.S. credit on NODCs?

One effect will be to increase NODC debt service charges by several billion dollars. Nearly all private credit to the NODCs is either short term or linked to short-term rates. Hence, interest payments have been regularly increased in line with this year's rise in short-term Eurodollar interest rates.

For example, assume that NODC Eurocurrency debt totals about $125 billion and that interest on the entire amount is tied to the six-month Eurodollar offered rates. Under such circumstances, the 4.5-point increase in Eurodollar rates since the beginning of the year would add about $5.6 billion to the interest burden of the NODCs. This represents quite a blow since the increase in interest payments would be about 50 percent.

A Squeeze

Moreover, tight U.S. credit could also have a considerable impact on the export earnings of the NODCs. The United States is by far the biggest importer of the raw materials and semi-manufactured goods produced by the NODCs. Assuming that U.S. interest rates start to peak only after the U.S. economy slows down, NODC exports to the United States could drop at a time when interest payments remained high. This could be quite a squeeze.

Another source of restraint on the export earnings of the NODCs has been a proliferation of trade barriers, quotas and tariffs in the wealthy countries, which have tried to keep their labor-intensive industries protected from low-cost competition. Although the actual impact on export earnings of NODCs is difficult to measure, many analysts say protectionism represents a danger to the financial health of the NODCs.

Ernest Stern, a vice president of the World Bank, recently warned that protectionism poses a serious threat to developing countries' exports of textiles, footwear, electronic products and a host of other manufactured goods.

While NODC exports may suffer as the result of a slowdown of the U.S. economy and rising protectionism, their imports costs could also rise if the Organization of Petroleum Exporting Countries (OPEC) raises the price of crude oil in December. Unlike Japan and the countries of Western Europe, most of the NODCs have linked their currencies to the dollar. Therefore, there is no question of currency appreciation offsetting any rise in NODC oil import costs.

Debt Service

Another problem, which is hard to quantify but is nonetheless serious, is that there have been long delays and large cost overruns for many of the development projects financed by international banks. Not only is more capital needed to meet unforeseen cost increases, but the delays in getting projects under way means that the cash flow from these projects will not be available to meet scheduled debt repayments.

International bankers, of course, do not really believe that they are infallible as far as lending decisions are concerned. And it is taken for granted that some countries will have problems with debt service.

However, bankers argue that as long as their loans are widely diversified among many countries and that the exposure in any one country is not too great, then there is not much risk as far as a loss of earnings is concerned.

Basically, when a loan is rescheduled and payments are missed, only a loss of earnings is involved. It is assumed that the principal will be repaid when the country is able to do so.

Implicit in this attitude is that no country would voluntarily default on its external debts in the sense of flatly refusing to pay. Such a posture would force a country into isolation since banks could refuse to finance trade, as well as capital investments, with the country. In extremity, banks could sue any third party that collected funds from the defaulted country. Thus, a country that voluntarily defaulted on its external debt would probably find its currency valueless as far as international transactions were concerned. Obviously, few would countenance this.

North Korea would be an example of the closest any country has come since the Second World War to flatly refuse to honor its external debt. In the last few years, North Korea has had discussions with

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Euromarkets

Over-Liquid Dollar Market Is a Symptom and a Cause of Ills

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dollars in the form of loans to the rest of the world where someone either hedged or speculated. At the same time, Eurobanks withdrew deposits from the United States and placed them outside.

"The Eurobanks did not speculate because if you look at the figures, you see the spot position in dollars increased — they were net buyers of dollars. But they supplied credits. If the U.S. banks and the Eurobanks had not been able to lend dollars so substantially, it would have been much more difficult for those who speculated to sell dollars."

Reverted

Essentially, the Euromarket has reverted to its pre-1973 behavior of amplifying the U.S. deficit's liquidity-increasing effects.

"We are now back in a situation in which the expansion of international bank lending has become supply-led," pushed by the liquidity of the system rather than pulled by credit demand, says Mr. Lamfalussy.

"Quite a few deficit countries were able to finance more than their deficit," he adds, noting that "in many instances, nonoil developing countries have become net suppliers of funds to the Euromarket" as a result of having built up their reserves through Euromarket borrowings.

"I'm not suggesting that we are back to 1971-73, where international liquidity creation was excessive and inflationary. What I am saying is that we have moved away from the period where the international liquidity-creating effect of the Euromarket was clearly a beneficial thing. We are now between the two situations. We're not back to the '71-'73 situation because then there was overfull employment. Nevertheless, we do have a liquidity creation which, to my mind, is excessive."

Margins

One obvious result of this situation has been the sharp decline in margins banks charge on syndicated loans — as low as a half percentage point over the London interbank offered rate (Libor) for borrowers who had to pay 1¼ percent over Libor three years ago — accompanied by a stretching of maturities to up to 15 years compared to the seven-year maximum a few years back. At the same time, the size of loans has increased sharply, with amounts of $300 million to $500 million rather commonplace nowadays.

"I doubt that such margins are sufficient to cover banks' needs to finance capital and reserves," says Mr. Lamfalussy — a view shared by Governor Henry Wallich, the member of the 12-man Federal Reserve Board who monitors the Euromarket. "I'm very much concerned about the fact that when they lend they do it at so narrow a spread that they're diluting their capital and their earnings," Mr. Wallich says.

"Bankers ought to realize their capital is being wiped out gradually by inflation. If a bank has $100 million in capital and inflation is running at 7 percent, the purchasing power [of the capital] is that much less," he explains. But he says bankers often seem to forget to deduct the inflationary erosion from their after-tax earnings on capital.

The U.S. banks appear to have got this message as the level of their lending activity has slowed considerably — an increasing resistance to the low margins coupled with a pick-up in loan demand at home. Nevertheless, overall lending in the Euromarket will set a new high this year due notably to the increased participation of West German and Japanese banks. According to data compiled by Morgan Guaranty Trust, $55.93 billion of Eurocurrency bank credits were completed in the first 10 months of this year, topping the record $41.77 billion for all of last year.

The highly liquid monetary conditions and the high level of lending activity are likely to be altered in the coming months. The availability of funds is likely to be sharply reduced and borrowing costs — both the Libor base and the margin banks charge — are bound to rise.

In its battle to defend the dollar, the Fed has taken two steps aimed at increasing the demand by U.S. banks for Eurodollars by removing the reserve requirements on such borrowings and by raising reserve requirements on banks' domestic certificates of deposit.

"The combined effect will tend to slightly raise rates on Eurodollar deposits and this will have some effect on pulling nondollar funds into dollars and thereby strengthen the dollar," says Mr. Wallich.

At the same time, the Fed is tightening domestic monetary conditions and has lowered its money-supply growth targets.

"The growth of high-powered money in the U.S. domestic economy sets the foundation for the Euromarket system in that it sets the level of real interest rates in dollars applied worldwide," says Amex Bank economist Kevin Pakenham. "By reducing the growth rate of high-powered money in the United States you put pressure on all forms of dollar moneys throughout the domestic and international systems. The effect would restrict the growth of the Euromarket and if the Fed continues with its policies, which we expect it will, it will reduce quite markedly the [easy] conditions in the Euromarket seen in the last two years."

Yet another likely restraint on international bank lending in the coming months, he notes, is the capital position of the banks. Their willingness to intermediate both risk — accepting deposits from one to lend to another — and time, using three and six-month deposits to make five to ten-year rollover credits, is a function of their own expectation of future profitability as well as their own gearing, the extent to which their profits over the past year enable them to continue to build up the level of their assets (new loans) without running into constraints imposed by the relationship to their capital base.

"I think there are signs they are going to run into gearing constraints," says Mr. Pakenham, due to the lower profitability resulting from the narrowing of lending margins. "This would have happened much sooner had it not been for the activity of the German and Japanese banks who continued to be aggressive lenders all of this year. The American banks had already begun to feel the pressure I've been talking about."

In addition, he sees a sharply curtailed role for the German and Japanese banks. Domestic economic activity is picking up in both countries and the banks will be forced to do more business at home. At the same time, the pace of their international lending will be affected by the strengthening of the dollar.

"The capital bases of those banks in dollar terms has increased by a phenomenal amount — in the case of the Japanese banks by a factor of 30 percent. The increase in their international lending ability which has come from the fal[l]... the dollar will also not conti[nue]..." he notes.

Developing Countries

It remains to be seen how al[l] this will affect the ability of the de[-] veloping countries to continue ta[p-] ping this market to finance thei[r in-] dustrial development. The intern[a-] tional banks essentially ha[ve] usurped the role tradition[ally] played by risk capital in financ[ing] economic development in a sm[all] number of states deemed capa[ble] of succeeding. Private investors, [of] course, wary of the apparent ins[ta-] bility and uncertain reception, w[ere] not competing to play a role.

Financing development w[ith] loans falling due within five to [...] years is a riskier business than [...]ing permanent capital. But analy[sts] maintain that, in fact, the ba[nk] loans are permanent, although [the] banks obviously have the option [of] not renewing them. The point the[se] experts make is that banks a[re] obliged to deploy their funds [...] that the margin on the loan assu[res] banks the return is greater th[an] their own cost of money. Thus, t[he] banks need only concern the[m-] selves with the borrower's ability t[o] continue servicing the loan and, a[s-] sured of that, should be willing t[o] continually roll over maturing loans.

"If the bank loans are actuall[y] put to work, I see no reason wh[y] banks should not be willing or ab[le] to finance an ongoing process o[f] this sort," says a senior econom[ist] at the Organization for Economic Cooperation and Development. "At the beginning, the process ma[y] look risky, but at mid-point, whe[n] you can see the country actually developing, financing should be[-] come ever more attractive" to the banks.

While the cost of new borrowing is bound to increase in coming months, banking experts see n[o] reason for the developing countries to fear being crowded out of the market. For while lending terms will harden, the demand for credit is expected to decline. Most of Western Europe will have no need to tap the international market next year as they are expected to register current-account surpluses, and with U.S. economic growth expected to slow — if not slip into recession — credit demand by U.S. businesses is bound to fall.

Tighter Credit Expected to Squeeze Third World

Already some fairly large rescheduling of bank loans has begun.

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creditors, without reaching a lasting agreement. The country is still believed to be insolvent. However, two creditor groups have been formed to discuss the repayments problem. A group led by Morgan Grenfell and Co. has been charged with dealing with bank loan defaults, while a group led by the Australian and New Zealand Banking Corp. is monitoring trade bill defaults. The Bank for International Settlements (BIS) has listed North Korea's debts to private banks at $560 million. Its other debts are not known but could total about $2 billion, including about $700 million owed to the Soviet Union, specialists say.

While some NODCs may get into financial trouble in the years ahead, some debt rescheduling in the past has worked well. For example, Argentina was considered to have had almost intractable problems in 1976 when its debt was rescheduled. At the time, the nation was gripped by civil strife, inflation was running at more than 70 percent and its trade deficit was widening. Today, only two years later, the country is enjoying a certain amount of prosperity. Its international payments are in better shape than many industrial countries and its borrowings are well received by the banking community.

In 1975, Indonesia looked as if it were in serious trouble because of mismanagement of the national oil company, Pertamina. Now, Indonesia is paying its debts on time and is currently raising $300 million over 10 years at a fairly prestigious lending margin of 0.75 points above interbank Eurodollar offered rates for the first five years and 0.875 points above the rates for the remaining five years.

Nevertheless, international bankers will undoubtedly be faced with the need to reschedule a fairly large amount of debt in the coming two years. Already some fairly large rescheduling of bank loans has begun.

Turkey has proposed rescheduling of about $3.36 billion of its debt coming due before Jan. 1, 1981, in the form of a seven-year loan with a three-year grace period before repayments of principal shall commence. The loan would bear interest at 1.75 points above interbank Eurodollar offered rates. In addition, Turkey has asked banks to participate in a new seven-year loan facility of up to $500 million on the same terms.

Turkey has already reached agreement with 14 countries in the Organization for Economic Cooperation and Development (OECD) to reschedule about $1.46 billion of debt. It has also arranged certain borrowing facilities with government agencies. As part of the proposals Turkey has agreed to accept surveillance by the International Monetary Fund (IMF) and has instituted an austerity program aimed at increasing exports, reducing domestic consumption and eliminating deficit spending by state enterprises.

Peru

Peru has had debt servicing problems since 1976 and has reached various ad hoc arrangements with banks in the last two years.

Earlier this month, Peruvian Finance Minister Javier Silva Ruete reached a tentative agreement with OECD governments to reschedule $568 million of government-to-government debt coming due in 1979 and 1980. The rescheduled amount would be repaid over seven years after a two-year grace period.

In addition, Mr. Silva Ruete said he has reached a similar preliminary agreement with banks to reschedule about $800 million of debt coming due in 1979 and 1980. The debt would be stretched over 7.5 years with a three-year grace period. However, bankers say the financial terms for this extension are still being negotiated. In July, a syndicate led by Manufacturers Hanover Trust Co. agreed to postpone debt repayments of $185 million falling due this year until Jan. 3, 1979. It is not yet known whether the Manufacturers Hanover group will agree to a further extension, but there appears to be little choice.

At the end of last December, Peru's total external bank debts came to about $3.4 billion.

Zaire has not yet been able to win international backing for its debt restructuring plans. At a meeting in Brussels this month between Zaire officials and representatives of 12 governments as well as delegates from the IMF, OECD and World Bank, Zaire was granted only limited credit facilities until a thorough reorganization plan can be worked out with representatives of the IMF, probably early next year.

Since 1976, Citicorp has had preparations in hand for a $250 million standby facility for Zaire. Initially, it was envisioned that disbursement of the facility would depend on Zaire's catching up on its overdue interest and principal payments. Since Zaire was unable to comply, the facility was later modified so that disbursements would be mainly related to financing specific import trannsactions, deemed necessary for export production. So far, however, the facility has not been put into operation, bankers say.

Zaire's external debts are estimated at about $3 billion, of which overdue interest and principal is estimated at between $600 million and $700 million.

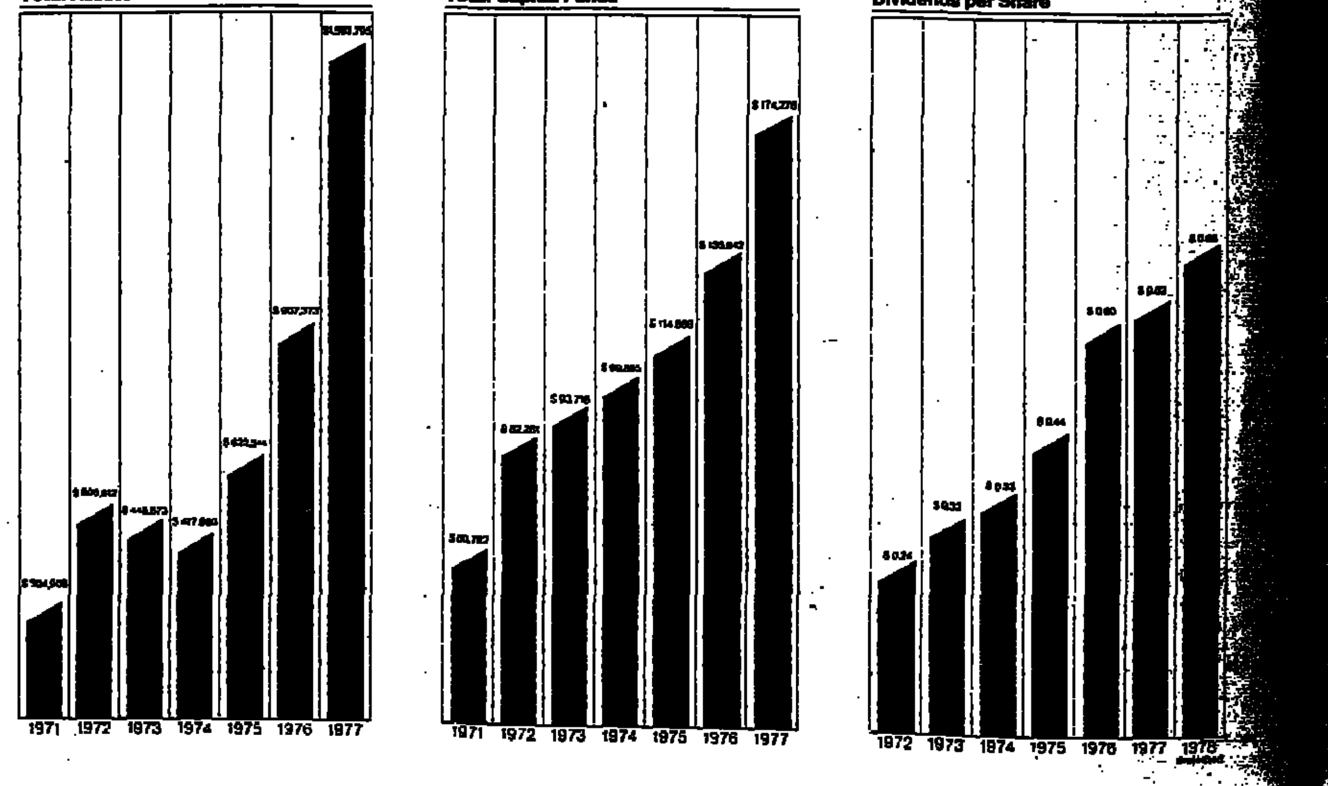
Some other countries are having debt payment problems.

Jamaica recently had to reschedule some of its external loans after local terrorism drove away the tourist trade, and exports of bauxite and alumina encountered production snags and falling world prices.

Sudan is reportedly about one year behind on its debt service. It owes about $725 million to banks and another billion dollars or so to the Arab oil-exporting states. However, the country has instituted a program under which foreign exchange receipts are blocked and released only for export-related projects.

The political situation in Nicaragua remains unsure, but it is certain that the country will have to stretch out its short-term external bank debts.

Bankers say that Zambia is making its payments on time. However, the landlocked country still has problems shipping its principal export, copper. The Benguela railway through Angola is still closed, and until recently Zambia's border with Rhodesia was closed, which represents the only other route for copper shipments.



Multicurrency Options Allow Borrowers to Cut Loan Costs

By Anne Segall

LONDON (IHT) — International borrowers have received ...e than $300 billion from banks ...side the United States in the ...n of Eurodollar loans. The debt ...beginning to cost them dearly. ... most Euroloans are made on a ...llover" basis. This means that ...ough banks commit their funds ... several years, they reserve the ...t to revise the interest charge in ... with market trends at intervals ...hree or six months. In the space ...ust 18 months, Eurodollar interest rates have soared from around 5 ...more than 11 percent. They are ...ected to go even higher.

...his has made a mockery of the ...empts — which have been successful — by borrowers to squeeze ...er margins out of the banks. To ... distress of the lending banks, ...rgins have declined from an average of 1.5 to just 0.75 percent for ... period. Even so, the average ...rower rolling over a Eurodollar ...k loan today has to pay around ... percent, margins and all, compared with just 6.5 percent or so ...en he took the loan out, say, early ...ast year. On a $500 million loan, ...t means an extra charge of $27.5 ...lion a year. For a country like ...xico, which has borrowed more ...n $20 billion in the Eurocurrency market, it could mean an extra ... billion a year — which it can ill ...ord.

...s a result, international bor...ers have begun to scramble for ...ns in other currencies (such as ... Deutsche mark or yen) where ... interest cost is lower or to bor... in a mixed bag of currencies in ...er to reduce their overall interest burden.

...Many borrowers are now also ...n to insert multicurrency clauses ...heir straightforward Eurodollar ...n contracts giving them the op... to swap part of the loan from ...lars into, say, the mark at the ...al three-month or six-month rol...er dates. Nigeria, for example, ...uested and got multicurrency ...ions in its two $1 billion ...mbo" loans and is expected by ...ks to make full use of them.

...Multicurrency options are not a ... invention. They first became ...ular in 1974, and bankers esti...te that around one-fifth of all ... Eurodollar loans they have ...de since then give the borrower ... right to swap some of this dol... debt into other currencies. In ... past, few bothered. Now they ... beginning to think of doing so.

...t has become almost standard practice for banks making new loans to offer such multicurrency facilities, although the choice is usually somewhat limited because only a very few major currencies can be freely obtained in the Euromarkets.

The attractions are obvious. A borrower rolling over his Eurodollar loan in dollars today would have to pay interest at more than 11 percent, plus a margin for the bank. If he opted for the mark, however, he would have to pay only about 4 percent, plus margins. On Swiss francs, it would be an even more incredible 1/2 percent plus margins.

Swapping out of dollars, even for a short period of three or six months, does of course involve an exchange risk for the borrower. It could cost him more to replace the marks, Swiss francs or other currency when it comes to paying them back a few months later.

Countries that export to Germany, Switzerland or Japan and, therefore, have hard currency earnings to fall back on, are less exposed and are becoming increasingly tempted by the interest differential. Venezuela is the outstanding example.

Even those with less cover are beginning to take the view that the dollar has already fallen so far this year that further falls, if they come, are unlikely to outweigh the savings in interest that can be obtained by shifting into other currencies on a temporary basis.

The incentive to borrow in other currencies than the dollar is even greater in the fixed-interest market. Long-term, fixed-rate dollar funds are virtually unobtainable today, even at around 10 percent.

International investors, who bought around $27 billion worth of Eurodollar bonds since 1975, are now nursing huge losses and have little stomach for more. In the first nine months of this year, they bought only $6 billion worth of new issues, against $9.5 billion during the same period in 1977.

Since the beginning of October, the market appears to have almost dried up completely, leaving potential borrowers stranded.

International investors are turning to other currencies instead, not only because they can be more readily obtained on a long-term basis, but also because they are cheaper. German and Japanese interest rates have risen somewhat during the last couple of months.

Even so, 10-year money still costs only about 7 percent in yen, about the same in the mark and just 4 percent in Swiss francs.

The gap between these and long-term dollar rates is bigger than it has ever been. Many borrowers believe that it is unlikely to narrow, given that the United State appears to have entered a period of comparatively high inflation.

Fairly Sanguine

The interest gap is also so big as to make borrowers feel fairly sanguine about the long-term exchange risk of borrowing in hard currencies. According to the London stockbrokers, Strauss, Turnbull, the dollar would have to fall by around 25 percent against the mark, 20 percent against the yen and 30 percent against the Swiss franc in the next 10 years to eliminate the interest savings obtainable by borrowing in these currencies instead of the dollar.

Even so, few companies would be prepare to take such a long-term risk unless they had matching assets in the currency concerned. But countries are less wary. Many have such pressing financial problems that they are inclined to turn a blind eye to the future for the sake of making ends meet now.

Figures produced by Morgan Guaranty of New York show that a couple of years ago, 60 percent of all international bond issues — including those by foreigners in Germany, Switzerland and other domestic markets — were in dollars. Now it is ony 40 percent.

In the first three-quarters of the year alone, foreigners — mainly governments and their agencies, as well as international organizations like the World Bank — managed to raise $5 billion worth of Deutsche mark bonds, one-quarter of those within Germany, the rest on the international capital market.

They also raised $4 billion worth of bond finance in Switzerland and $3 billion worth in Japan.

Latin American countries (e.g., Venezuela, Brazil and Mexico) put in a regular appearance in these markets. But Canada, Australia, New Zealand and Denmark were the biggest borrowers of all.

Loan Packages

For the last few months, bankers have begun to work out even more ingenious ways of catering to their customers' desire to reduce their overall interest burden without taking on excessive exchange risks. The idea is a simple one: loan packages that combine a basic Eurodollar component at floating rates with a little cheap, long-term money in, say, the mark or yen.

The long-term money is provided either in the form of bonds issued domestically or internationally or, recently, in the form of ordinary long-term domestic loans, of the kind that German and Japanese banks offer their own local customers. A few loan packages have recently even included a bond and straight domestic loan component.

Japanese banks have been particularly active, encouraged by the Japanese Finance Ministry, which is hoping to reduce the country's embarrassing balance of payments surplus through capital exports. Bankers are enthusiastic, too, because they can refinance the fixed-rate yen loans relatively cheaply in the domestic market. In addition, the fatter margins that they are able to earn on them compensate in part for the rock-bottom margins obtainable on ordinary Eurodollar rollover credits.

For example, in September, a group of Japanese banks put together a package for the National Bank of Hungary that consisted of a $100 million Eurodollar rollover credit, a 14 billion yen loan for 10 years and a 6 billion yen loan for 15 years.

In October, the Bulgarian Bank for Foreign Trade got a similar deal in the shape of a $90 million rollover loan for six years accompanied by a five-year 7.5 billion yen domestic loan.

In the same month, Australia got an all-yen financing package that consisted of a 40 billion yen 10-year loan at a fixed rate of just 7.1 percent and another 40 billion yen 20-year loan at a fixed rate of 7.6 percent.

Now, it is the turn of the Mexicans. They are being offered an interesting package of dollar and fixed rate yen financing

German and Japanese banks have a monopoly on this kind of business. This is not only because their currencies are cheap and therefore in demand, but also because the capital structures in both countries are such that the banks can get matching funds domestically without too much trouble.

In Germany, the Landesbanks (state banks) are in a particularly strong position. They are allowed to issue long-term bonds of their own to finance their lending business. Westdeutsche Landesbank (WestLB), which has expanded successfully abroad in the last few years, has some 30 billion DM in bond finance of its own for on-lending. Therefore it has been able to make the most of the situation when providing international clients with long-term mark loans.

In October, for example, WestLB put together an impresseive package in the mark for Venezuela that included a straight 150 million DM, 12-year bond and a 12-year domestic currency loan for 350 million DM. A little earlier, WestLB led the German syndicate that provided Portugal with a package consisting of a $150 million Eurodollar rollover credit and a 420 million DM, 10-year fixed-rate loan.

The big three German commercial banks (Deutsche Bank, Dresdner and Commerzbank) do not have the same ability to issue their own bonds domestically and are, therefore, at a relative disadvantage.

But they, too, have been making medium-to-long term loans to foreign customers. They do so partly by on-lending domestic savings deposits and large-company deposits, although these seldom extend beyond five years and the banks are allowed only a limited amount of mismatching by the German banking authorities.

These banks are also making bond issues of their own in the Euromarkets. Deutsche Bank, for example, which has been quite active in making foreign loans this year through its Luxembourg subsidiary, raised 200 million DM for five years through a private placement in Luxembourg in April. It has just raised another 100 million DM in the same way.

The bank's most impressive deal was the spring package for Canada, in which it included an offer to make a private placement of a staggering 500 million DM of five-year bonds for the Canadians and took most of them onto its own books.

Deutsche Bank decided last month to sell a part of its holding in the secondary market in order to make room for more medium-term lending to other international borrowers. There is little doubt that these, as other types of multicurrency financing packages, are likely to get even more popular as banks and their customers learn to like them.

British Clearing Banks Expand into the United States

By Hamish McRae

LONDON (IHT) — The big British commercial banks — the clearing banks — have long taken a more restrained attitude to international business than either their merchant banking competitors or, naturally enough, those banks that London spawned to provide banking services to the empire. Just as the existence of merchant banks until recently inhibited their movement into merchant banking business, so the existence of specialist international banks inhibited their incursion into international banking.

But that is now history. During the last few years, the clearing banks have made a furious effort to catch up with their foreign (particularly U.S.) rivals and, if anything, the pace has heated up during the last 12 months.

The Big Four

There are two principal directions that the banks have taken in seeking to expand their business. For one, further efforts have been made to build up London-based Eurocurrency business. For the other, they have been working to establish a better international branch network, including retail activites in the United States.

Like all international banks, the clearing banks have been hit by the sharp narrowing of spreads on Eurocurrency business. But this has presented an opportunity for the banks that were prepared to continue lending at reduced spreads to increase market share. Midland Bank in particular seems to have made an effort to exploit this opportunity. It has chosen to do so by boosting the proportion of Eurocurrency business booked through the partner bank, rather than through Midland and International Banks Ltd. (MAIBL), its affiliate consortium bank.

The desire to do international business "in house" is also evident at National Westminster, which has a 20-percent interest in Orion, while Barclays has long preferred to attack international business from its head office rather than through a partly owned subsidiary.

Lloyds, the other member of the Big Four, has recently been reorganized to give its main board only group responsibility, leaving domestic management to a separate management board — a move that was intended to enable it to carry out its international responsibilities unencumbered by domestic retail operations. This is a perfectly logical move, given the amount of board time international business has been taking up. But it may also signal a further emphasis on the international side.

U.S. Drive

But the most exciting event of the last year has been the drive by the banks into the United States. Both Barclays and National Westminster are seeking major acquisitions, pending Federal Reserve approval. Barclays has won shareholder approval to take over American Credit Corp., a Charlotte, N.C., consumer finance group, while NatWest has negotiated to buy the 140-branch National Bank of North America. Although the NBNA deal was signed at the end of August, Federal Reserve permission is not expected before next year.

A further shadow hangs over the NatWest enterprise: New York state banking legislation under proposal could frustrate this.

But the fact that two of the four banks should be trying to expand in North America clearly indicates the potential seen there.

Two of the "British empire" banks, the London-based Standard Chartered and the Hong Kong-based Hong Kong and Shanghai Banking Corp., also have a strong desire to build their U.S. bases. Standard was recently thwarted in its efforts to expand further in California, but Hong Kong plans to take a major interest in Marine Midland, if the deal gets official approval.

Rumors

There have been rumors in London that Midland would also expand in the United States. (At present, it is represented there by its tourist and traveler's check subsidiary, Thomas Cook, by insurance brokers Bland Payne and by a minority interest in European American Banking Corp. Midland's Chairman Lord Armstrong hinted in an interview that the bank would like to expand in the United States, possibly through some form of financial service other than banking.

All this activity tends to overshadow the expansion made elsewhere by the clearing banks as well as the modest efforts the merchant banks have been making outside London to strengthen their services. Perhaps the most interesting area of growth in merchant banking has been the advisory services to central banks on currency and portfolio management.

Still, the most interesting growth area is the United States. In relative terms, the United States seems to foreign bankers to be underbanked. They feel that with their own experience in running branch networks, it ought to be possible to make money out of the weaknesses of the U.S. banking system. In Britain, banks are held back by the practical impossibility of expanding networks very much. Indeed, the banks are busy paring down their networks. And although there is a certain caution about the entry fee needed to get into U.S. retail banking, on balance the growth potential makes it seem worthwhile.

But perhaps a deeper reason for wanting to expand abroad is that the more international the British banks become, the less vulnerable they would be to threats of nationalization at home. While no one knows how serious a threat bank nationalization actually is — since it is far from being official Labor Party policy — there is no doubt that British bankers are deeply worried about it. The push to become less British and more international might have something to do with the desire to wave some sort of stick, should the banks one day be faced by an aggressively left-wing British government.

Euromarkets

Penalty Fees Reappear as Number of Prepayments Rises

LONDON (IHT) — "In a fixed rate market, it would be suicidal not to have a penalty fee on prepaid loans. When Eurobanks lend on a floating-rate basis, there is much less pressure." This comment by a Chase Manhattan senior executive explains why, contrary to the prepayment clause, which is always present in syndicated Euroloan agreements, a penalty fee does not accompany every prepayment.

By imposing a penalty on prepaid loans, banks seek compensation either for a lack of return if the credit is prepaid and not refinanced, or for a lower yield if the transaction is restructured with conditions more favorable to the borrower.

However, penalty fees suddenly appear, then disappear, depending on the state of the market. They began to be abandoned in 1973, then tended to re-emerge in 1974 before vanishing from most loan agreements during the next three years. "It has not been in a single loan we have made since 1976," said Dryden Liddell of Chase.

Generally, it seems that the penalty fee falls into oblivion when the market is bullish, especially when it turns into a borrowers market. It is hard to give this phenomenon the force of a general law, but there is certainly a close relationship between the penalty fee and the market situation.

On the other hand, the avalanche of prepayments in 1978 had the effect of pushing banks into re-introducing the penalty fee. During the second half of this year, West German banks in particular tried to enforce a penalty fee in all new loan agreements. Some banks were even reported to be asking for a management fee in cases of refinancing, a rather unprecedented demand.

When two parties agree on the penalty fee and it is included in the contractual document, it becomes a legal commitment and has to be paid in the case of premature repayment. The German law, however, does not make such a clause mandatory in every case. In fact, the German law sometimes makes it possible for the borrower not to pay the penalty fee, even if such a fee is stipulated in the loan agreement.

Under paragraph 247 of the German Civil Code, a debtor is entitled to prepay a loan when the rate of interest exceeds 6 percent. In such a case, the borrower is able to prepay the debt without any penalty fee. This has already happened with some Eurobond issues, which have been prepaid at par although the loan agreement stated that any prepayment should be made at a premium.

The same would occur with a syndicated loan carrying a floating rate of interest. A legal opinion, recently given by a German law firm in answer to a question put by a well-known Continental bank about an International Investment Bank (IIB) loan governed by German law, emphasized that "the banks may not be entitled to the repayment fee provided for in clause 5[Q] 111 of the loan agreement, should the borrower make use of the special right of premature repayment under paragraph 247 of the German Civil Code." The opinion added that "the fact that paragraph 247 of the German Civil Code has not been mentioned in the loan agreement does, however, not affect the validity of the loan agreement." This aspect of German law, which is generally not well known, could come as a shock to some Eurobankers involved in transactions falling under the Civil Code.

EXAMPLES OF LOANS CARRYING PENALTY FEES

Borrower	Amount	Maturity	Spread	Signed	Penalty Fee
Banque Nationale d'Algerie	U.S. $120m	7 years (3 years grace)	3 years @1¼; 4 years @1⅜	13.7.78	½ % for first 3 years; ¼ % thereafter.
Banque Nationale d'Algerie	U.S. $ 50m	7 years (3 years grace)	1¼% above 6 mo. Libor	Oct. 78	⅜ % for first 3 years; ¼ % for last 4 years.
Costa Rica	U.S. $ 70m	10 years (4 years grace)	4 years @ ⅞ %; 6 years @ 1 %	25.10.78	½ % for first 4 years.
Costa Rica	U.S. $110m	10 years	4 years @ ⅞ %; 6 years @ 1 %	25.10.78	½ % for first 4 years.
Kingdom of Denmark	U.S. $1,235m	7 years (4 years grace)	¾ %	To be signed 3.12.78	¼ % of the amount prepaid multiplied by the number of *years remaining to final maturity*.
Istituto per la Ricostruzione Industriale (IRI)	U.S. $500m	7 years (54 mo. grace)	⅞ %	30.10.78	¾ %.
International Investment Bank	U.S. $500m	10 years (5½ years grace)	2½ years @⅝ %; 7½ years @¾ %	8.9.78	Prepayments are permitted after 1 year of each drawdown with the following fees: ½ % during 2nd year; ⅜ % during 3rd year; ¼ % during 4th year; ⅛ % during the remaining lifetime.
Societe Financiere pour les Telecommunications et l'Electronique (Lux) SA	*U.S. $ 35m*	5 years (2 years grace)	1⅝ %	*20.1.77*	*⅛ % payable annually for the period remaining until the repayment is due under the agreement.*
Correios e Telecommunicacoes de Portugal	U.S. $ 50m	6 years (3½ years grace)	1½ %	18.4.78	0.20 % from drawdown to 1.1.1980; 0.10 % from 1.1.1980 to 1.1.1982; No penalty after 1.1.1982.

The percentage of the penalty fee varies sharply from one loan to another. The basic idea is that the closer the loan is to its final maturity, the lower the penalty fee should be. As an example, the IIB $500 million 10-year loan signed on Sept. 8, 1978, with Dresdner Bank as the agent, states that "the prepayment fee will be calculated on the amount to be prepaid and will be 1/2 percent during the first 12 months after the relevant date; 3/8 percent during the second 12 months after the relevant date; 1/4 percent during the third 12 months after the relevant date and 1/8 percent during the remaining lifetime of the loan concerned."

No Fee

Sometimes, there is no penalty fee for the very last years of a loan since the parties consider that the loss of earnings for the lenders would be minimal in the case of prepayment. The loan agreement, for instance, of the Portuguese Correios e Telecommunicacoes de Portugal $50 million 6-year credit *signed on April 18, 1978, (agent:* Kredietbank Luxembourgeoise) anticipates that "the borrower will be entitled on any interest date to prepay the totality or any part of the loan with a premium of 0.20 percent from the effective date to Jan. 1, 1980; 0.10 percent from Jan. 1, 1980, to Jan. 1, 1982, and without any penalty after Jan. 1, 1982."

The penalty is generally a *flat* fee. Nevertheless, there are some exceptions. The Societe Financiere pour les Telecommunications et l'Electronique (Luxembourg) SA $35 million 5-year loan guaranteed by the Italian state-owned STET, which was signed on Jan. 20, 1977, (agents: Banque Europeenne de Credit SA and Kredietbank NV) includes a penalty fee of 1/8 percent payable *annually* "for the period remaining until the repayment is due under the agreement."

Obviously, the degree of the penalty is inversely proportional to the credit worthiness of the borrower. The higher the prestige, the smaller the fee.

It is even conceivable for a highly rated sovereign risk not to consent to the payment of the penalty fee. In the past, some governments have flatly refused to pay the management fee initially agreed with the lead manager. This is a kind of blackmail that happens when the government concerned makes clear that any enforcement of the fee would result in an unfo[...] break in the relationship betwe[en] *the establishment and the* de[...] this occurred with management fees, why not with penalty fees?

'Not the Point'

The general manager of a lead[ing] U.S. bank said that the "penalty is not the point. The important [ele]ment would be no prepayment at all." Nevertheless, the huge flow of refinancings that developed in [...] has now made international ba[nks] well aware of the necessity to pro[tect] their returns with premiums in the case of prepayments. There[fore] it can be reasonably assumed [that] Eurobankers will try more [and] more to include them in loan agree[ments].

It is already characteristic [of] some refinancings arranged on [the] basis of extremely low margins, at the 5/8 percent level, antic[ipating] premiums for premature [repay]ments. This is an indication that [in]ternational banks are trying [to] embed the penalty fee in any [loan] agreement, as is already the c[ase] with prepayments.

Of course, the international debt[ors] will resist this trend, particular[ly] as long as the market continues to be in the borrowers' favor. But [it] will be difficult for them to [go] against the universal will of [the] Eurobankers, who are now present[ing] a common front. Furthermore, the penalty fee can be proposed [as] a bargaining factor for lower mar[gins] or other advantages. The [...] possibility of canceling the prepay[...] ment clause in agreements is [a] corollary to an unavoidable exten[sion] of the penalty fee.

—C[...]

'Topping Up' the Margins

PARIS (IHT) — While bankers have been growling about the narrowing of margins on syndicated Eurocurrency bank loans, this has not stopped them from participating in low-margin loans — a result of their own abundant liquidity, the pressure from competitor banks and a desire either to establish or maintain close, friendly relations with particular borrowers.

The borrowers have a lot at stake in driving down the amount over the London interbank offered rate (Libor) they pay on loans: it means a very real reduction in their costs and, less tangibly, a rise in national prestige.

But contrary to the general impression, the spread on a widely syndicated loan does not serve as *the* rate for a borrower, but rather as a benchmark for the smaller, nonsyndicated suppliers' credits banks are called on to finance.

Bankers prefer not to discuss such "topping-up" of margins but admit it is practiced by almost all Western European banks. And while they insist this does not extend to loans syndicated among a large number of international banks, something quite like it was used to salvage the $1 billion jumbo loan put together for Nigeria.

"It happens from time to time, but only in connection with export financing," a West German banker says. "The supplier is anxious to win an export contract and must arrange the financing. But the banks may have little interest in going along — either they are full up with loans to the importing country, or the conditions are too unattractive. So the supplier has to induce the banks to do the deal."

The inducement generally ranges from an eighth to a quarter of a percentage point over the margin on syndicated loans for the same borrower. The inducement is financed by the supplier through increasing his export price or, if the competition for the contract is too great and that is not possible, a cut in his own profit margin.

"It happens," says a U.S. banker, "because a supplier really understands that the banks can't lend at those rates and he wants the business and is agreeable to do it."

In the case of Nigeria, however, it was the borrower who stepped up to induce a group of West German banks to participate in the jumbo loan. A target of $1 billion was originally set with a margin of one percentage point over Libor for the first four years and 1¼ for the final four years. The terms were tight and the German banks, which had already committed 750 million Deutsche marks (for seven years at 1⅛ over Libor) to finance a Nigerian project being supplied by West German firms, refused to participate — fearing that when the time came for Nigeria to pay for the West German exports, the money would have already been spent [on] other things.

The Nigerians then began syndi[cating] a $750 million loan wh[ile] still trying to talk the Ger[man] banks into the loan and at the [end] finally succeeded, lifting the t[otal] amount to $1.1 billion.

But to get the Germans to co[m]*mit their DM 750 million* (a[bout] $350 million) to the jumbo op[era]tion, the Nigerians agreed to [pay] those banks a front-end cash [fee] reportedly equal to an additi[onal] 1/16 percent on the margin, [and] guarantee that those funds ar[e to] be used for the specified project.

Other banks participating in [the] jumbo say they are aware the G[er]man banks got something e[xtra] (they insist they do not know h[ow] *much). The official explanation* [is] that this compensates the Ger[man] banks for "the additional wo[rk] they incurred prior to joining [the] jumbo loan. For their part, the G[er]man banks explain that this is r[eal]ly a different loan operation [that] has been placed under the umbre[lla] of the jumbo just to please [the] Nigerians.

"One should not talk to[o much] about this," counsels a Fr[ench] banker. "It may lead to [...] conclusions. . .that the bank[s are] playing dirty tricks [...] managers/participants are t[rying to] obtain advantages over [other] banks. It's a very touchy point."

—C[...]

Prepayment, With or Without Clause, Is Plaguing Bankers

(Continued from Page 7)

possibility for early redemption by borrowers on their Euroloans is so deeply embedded in the history of the Euromarket that there is little chance that the prepayment clause will be dropped from syndicated Euroloan agreements.

For historical reasons, Euroloan agreements follow standard U.S. documentation. When the Euromarket for loans carrying floating rates for interest started to develop during the early 1960s, U.S. standards were adopted because U.S. banks rapidly became the most involved in this field. In the United States, only private placements do not allow prepayments because pension funds, which are among the main institutions absorbing this paper, seek long-term investments and consequently do not want their policy to be disturbed by early redemptions.

Paragraph 247

The West Germans are more favorable to borrowers than anyone else. According to paragraph 247 of the German Civil Code, any borrower has the right to prepay a loan if the rate of interest is more than 6 percent. A German legal opinion, in connection with an International Investment Bank loan agreement governed by German law, underlines this point and adds that under paragraph 247, "the borrower, after a period of six months, is entitled to repay the loan upon notice of not less than six months. This right of premature repayment cannot be waived or restricted." The 6-percent rule also applies to loans based on floating rates as well as to those carrying fixed interests.

Although banks have to accept prepayment clauses in syndicated Euroloan agreements, there is a point on which they are not prepared to bargain: the period of notice a borrower must give prior to repayment. This is because bankers have to protect their funding. Generally, agreements stipulate a notice period of 30 days. On the other hand, there is no specific rule concerning the point at which a loan can be prepaid, except that the prepayment must coincide with an interest payment date.

The imperative notice period and the flexibility of the prepayment date can be seen in the following examples:

The agreement for the $35 million 5-year loan for the Italian Societe Financiere pour les Telecommunications et l'Electronique (Luxembourg) SA mentioned that "after the first anniversary of the date of drawdown, on giving 30 days' prior notice to the agent (Banque Europeenne de Credit SA), the borrower may prepay in whole or in part the outstanding amount at the end of any relevant interest period."

The Ruler of Dubai $200 million 3-year credit signed on Aug. 13, 1977, with Banque Arabe et Internationale d'Investissement acting as the agent, stipulated that the borrower "shall be entitled on any interest payment date after the end of the drawdown period on giving to the agent not less than 30 days' written notice, which shall be irrevocable and effective only upon receipt, to prepay the loan without penalty in whole or in part together with interest on the amount prepaid to the date of prepayment."

The International Investment Bank $500 million 10-year loan (agent: Dresdner Bank AG) signed on Sept. 8, 1978, anticipates that "on giving not less than 30 days' prior written notice to the agent, which shall promptly give written notice thereof to each of the banks, the borrower may prepay the loan on any interest date but not earlier than 12 months after the date of drawdown."

The $1 billion 7-year loan signed on March 1, 1977, by the Kingdom of Sweden, which has since been refinanced, underlines that "the borrower may prepay any advance in whole or in part on any relative interest payment date provided that the agent (Morgan Guaranty Trust Co. of New York) shall have received from the borrower not less than 30 days' written notice of its intention to make such prepayment, specifying the advance to be prepaid in whole or in part. Notice of intended prepayment once having been given by the borrower, it shall be obligatory for the borrower to make the prepayment in accordance with the notice."

The Correios e Telecommunicacoes de Portugal $50 million 6-year fund-raising exercise signed on April 18, 1978, with Kredietbank SA Luxembourgeoise as the agent, states that "on any interest date, the borrower shall be entitled to prepay all or any part of the loan in the Eurocurrency in which it is then outstanding, upon giving the agent not less than 30 days' notice of the aggregate principal dollar amount then to be prepaid."

Loan agreements allow borrowers to prepay their credits either totally or partially. In the first case, the procedure is easy. It is, however, a more delicate process if only a part of the loan is prepaid. Generally, the agreement states that any amount prepaid shall be applied towards the borrower's repayment obligations in inverse order of maturity.

Borrowers do not always pay too much attention to this clause, the effect of which is to shorten the maturity of the loan. Banks, however, prefer it this way since by avoiding prepayments being spread in a disorderly fashion, the procedure is less complicated. In addition, borrowers are usually asked to prepay in minimum amounts similar to those drawn. Prepayments are always made in the same currency in which the funds are initially drawn.

Two other elements generally accompany prepayment clauses.

First, the agreement states that the prepaid term loan cannot be reborrowed. This is also to protect the banks' funding. If the prepaid loan or any prepaid portion of it could be reborrowed, the operation would become a standby credit. In such a case, a borrower would be able to prepay and to reborrow on the condition that the commitment fee is paid each time the amount repaid is reborrowed.

Second, agreements concerning loans backed by the guarantee of a sovereign entity usually mention that the borrower must produce evidence that he has received an official consent to prepay.

The syndicated Euroloan market is likely to face a continued avalanche of prepayments for some time to come — at least for those borrowers paying spreads above the 3/4 to 7/8 percent level. This trend will push banks into taking special care with prepayment clauses, although they are already well formulated.

But borrowers could well begin to pay much more attention to this matter when margins start to rise again. Indeed, debtors are aware of the advantages they can obtain from loan agreements allowing them to prepay their debts.

In order to get the best of market conditions, international debtors will seek agreements with prepayment clauses constructed more and more in their favor. Therefore, Eurobankers will not only have to face prepayments, but also clauses permitting borrowers to prepay on their own terms.

—C.H.

SIGNIFICANT REFINANCINGS IN THE FIRST 10 MONTHS OF 1978 FOLLOWING PREPAYMENTS

Borrower	Amount	Maturity	Spread	Comment
Atlas Consolidated Mining & Development Corp. (Philippines)	$ 80m	8 yrs	1¼ %	Refinancing of 1976 credit floated at 2 % over Libor.
Central Bank of Iraq	$180m	3 yrs	½ %	The loan is to partly refinance the $500m credit signed on Aug. 8, 1975, raised on the basis of a margin of 1½ % over 5 yrs, only $200m of which has been drawn down.
Companhia de Acero del Pacifico (Chile)	$100m	8 yrs	1¼%	The credit will be used partly to refinance CAP's foreign debts.
Costa Rica	$ 70m	10 yrs (4 yrs grace)	4 yrs @ ⅞ %; 6 yrs @ 1 %	$50m of this credit is to refinance former loan of the same amount.
Dominion of Canada	$2.5bn	8 yrs	½ %	This is a refinancing of a loan arranged last autumn for $1.5bn and increased in April, 1978, to $2.5bn. Previous conditions: ⅝ % for 3 yrs and ¾ % for 4 yrs.
Kingdom of Denmark	DM400m	7 yrs (4 yrs grace)	¾ %	To refinance a DM400m credit signed on Feb. 16, 1977, at 1¼ % for first 3 yrs and 1¾ % for the last 4 yrs.
Kingdom of Denmark	$1,235m	7 yrs (4 yrs grace)	¾ %	The loan is to refinance 4 credits, the outstanding portion of which was $1,235m. Conditions: 1. $300m over 7 yrs @ 1⅜-1⅝ (Dec. 1975) 2. $200m over 7 yrs @ 1⅜-1½ (May 1976) 3. $400m over 5 yrs @ 1¼ (Dec. 1976) 4. $500m over 7 yrs @ 1⅛-1¼ (July 1977).
Ecuador	$500m	10 yrs (42 mo. grace)	3½ yrs @ ⅞ %; 6½ yrs @ 1 %	
Instituto Mobiliare Italiano	$100m	8 yrs	1⅛ %	This is a partial refinancing of a $200m credit signed Aug. 10, 1977 — 6 yrs @ 1⅜ %.
Jordan Petroleum Refining Co.	$ 70m	7 yrs (3 yrs grace)	1⅛ %	Refinancing of the undrawn portion of a $100m credit (6 yrs @ 1½ %) signed in August, 1977.
Kingdom of Sweden	$ 1bn	10½ yrs	⅝ %	To refinance a $1bn 7-yr credit signed on March 1, 1977, at ⅞ % for first 4 yrs, then 1 %.
Montreal Urban Community	$250m	10 yrs (3 yrs grace)	¾ %	Part of the credit is to refinance outstanding portion of $200m syndicated loan.
Nacional Financiera (Mexico)	$176.5m	3 yrs (bullet)	¾ %	To refinance part of $210m 2-tranche loan.
Rafinor (Norway)	$ 85m	10 yrs	2 yrs @ ⅝ %; 8 yrs @ ¾ %	
Regie des Installations Olympiques (Canada)	$360m	10 yrs	2 yrs @ ¼ % over U.S. prime rate; 8 yrs @ ⅜ % over U.S. prime rate	To refinance a similar amount raised in 1976 with a spread of 1¼ % over 7 years.
RENFE (Spain)	$ 46m	10 yrs	5 yrs @ ⅝ %; 5 yrs @ ¾ %	The loan is to partly refinance a $ 60m deal signed on Aug. 6, 1975 — 7 yrs @ 1½ %.
Shell Petroleum Ltd.	$400m	10 yrs	4 yrs @ ⅝ %; 6 yrs @ ¾ %	Refinancing of 7-yr credit arranged in 1974.
Societe Financiere pour les Telecommunications et l'Electronique (Lux) SA (Italy)	$ 35m	5 yrs	⅞ %	Refinancing of 1977 credit — 5 yrs @ 1⅝ %.
TVO (Finland)	$ 67m	10 yrs	¾ %	Refinancing of $67m 7-yr credit, signed Oct. 20, 1975, at a spread of 1½ %.

Euromarkets

More and More Banks Are Setting Up Shop in Luxembourg

By Darrell Delamaide

LUXEMBOURG (IHT) — The growth in Luxembourg's Euromarket activity has outpaced the expectations of government officials charged with monitoring banking activity in the grand duchy.

Banking Commissioner Pierre Jaans said that balance-sheet volume of the 94 banks active in Luxembourg reached 2.37 billion Luxembourg francs ($81 billion) by the end of August, a gain of nearly 26 percent from a year ago.

"I was expecting growth more on the order of 15-20 percent," commented Mr. Jaans. A big reason for the growth: More and more banks are setting up shop in Luxembourg. There were 94 active by midyear compared with 90 at the beginning of the year. Altogether, seven or eight new banks probably will open shop in 1978, Mr. Jaans said, and the number of active banks is likely to top 100 within six months.

"There has been no abatement in interest," remarked the banking official. Mr. Jaans is cautious about naming prospective candidates, saying only that most banks negotiating a Luxembourg subsidiary are of European origin.

Rumors circulating in the banking community, however, also mention American banks. Luxembourg Finance Minister Jacques Poos reportedly told a group of German bankers that some American bankers had expressed renewed interest in a Luxembourg unit during the International Monetary Fund meeting in Washington. Names mentioned among bankers here are Morgan Guaranty and Manufacturers Hanover.

Interest is high because new U.S. banks would mark a change in the recent trend for Americans to curtail their Luxembourg activities. The U.S. banks would be welcome to increase the dollar component in Luxembourg business, which makes up only 45 percent of volume here against 77 percent in the Euromarket as a whole.

Deutsche Mark

Of course, the interest in Luxembourg for American banks is the high turnover in the Deutsche mark, which makes up 47 percent of the business volume among banks here. This is also the apparent lure for a British bank (Barclay's is the name most often heard) reportedly considering a move here. And it seems to have played a role in attracting the Bank of China.

The announcement last summer that the Bank of China intended to open a branch in Luxembourg is seen as part of that country's new opening to the West. The preliminary soundings have been on a diplomatic level and technical details have yet to be worked out. Mr. Jaans, however, leaves no doubt that the Chinese presence would be welcome. "It would be quite an asset to have the Bank of China here in Luxembourg," he comments.

Not so welcome, though, is the application of the Danish bank Finansbanken. For reasons Mr. Jaans declined to discuss, the Danish institute was denied a commercial license. One of the unwritten rules in Luxembourg is that the banking commissioner determines in conference with applicants whether it would be suitable for the bank to be established and then makes a recommendation regarding the commercial license — which is invariably followed.

Finansbanken now is taking its case to court. Mr. Jaans says he is indifferent to the outcome of the case. If Finansbanken wins, the unwritten rule would quickly be written and passed into law because the government policy implemented by Mr. Jaans is that banks coming to Luxembourg should be intent on doing serious banking business.

A System

In general, however, Mr. Jaans said he is pleased with the development of Luxembourg banking. "What was a gathering of banks is evolving into something that looks more like a system," he commented.

Indeed, Luxembourg banks this year have demonstrated increasing muscle by managing and syndicating sizable Eurocredits exclusively among Luxembourg institutions. Many are never publicized. One public loan in May, an eight-year credit of 400 million DM to Denmark, was practically a pure Luxembourg syndication. A 500 million DM credit to the United Mexican States announced in October was exclusively syndicated in Luxembourg.

Bankers here do not see Luxembourg syndications as a trend so much as a demonstration of the grand duchy's capacity as a financial center.

There is less of a consensus about the so-called "Luxibor" — the Luxembourg interbank offered rate named after London's Libor (London interbank offered rate), the standard peg for medium-term credits in the Euromarket. First introduced with a 100 million DM credit to the Foreign Trade Bank of Bulgaria, managed by a Luxembourg newcomer, Badische Kommunale Landesbank International, the Luxibor has had a fitful existence as a credit peg. The originators reason that because Luxembourg is a major center for Euromark trading, it makes sense to peg Euromark credits to the bank rate here.

Older and bigger German subsidiaries, though, do not think much of Luxibor. Volker Burghagen, managing director of the Dresdner bank subsidiary, says it is pointless to speak of a Luxibor, just as it is to be fixated on a Libor. "There is *a* bank rate, and geography doesn't play a role," he says, conceding that one or another center must be settled on for practical purposes.

Government officials look at Luxibor with a bemused tolerance. "It's an amusing gadget," remarks Mr. Jaans.

Another German banker is more cautious, however. "Luxibor might be harmless enough in fair-weather times," he notes, "but some borrowers might be surprised to find themselves paying a higher rate than necessary if liquidity dries up and a thinner Luxembourg market pushes rates up."

But Luxembourg is firmly entrenched as the most active Euromarket center after London. It handles about 12 percent of overall Euromarket volume, against London's 42 percent, but accounts for around one-fourth of credits to the non-banking sector (measured against the eight European countries monitored by the Bank for International Settlements.) The depth is of course greater in Euromark activity, where Luxembourg has a nearly one-third share (as of end-1977.)

In fact, despite the rumor of new arrivals, German banking subsidiaries are certain to remain the predominant factor in Luxembourg. All four of the new banks established in the first half of the year were of German origin. Much of the growth in banking activity clearly was a result of these new institutes transferring part of the money market and credit business to Luxembourg from the parent banks.

Another strong boost came from a pickup in credit demand by German companies, which accounts for loosely one-third of German bank activity in Luxembourg. The German banking units here, in turn, handle at least half of the grand duchy's Eurobanking business.

Most telling, the five biggest banks in Luxembourg are the subsidiaries of Dresdner, Deutsche Bank, Commerzbank, Westdeutsche Landesbank and Bayerische Landesbank. Only in sixth place does the largest domestic bank appear, the Caisse d'Epargne de l'Etat-Banque de l'Etat.

Concern

The size of the German operation in Luxembourg has given rise to some much-publicized concern on the part of banking supervisors in West Germany. This legitimate concern ran into the delicate issue of Luxembourg sovereignty and the not-so-delicate resistance of bankers, who do not like to disclose any more than necessary.

With the Berlin banking authority claiming it only wanted a better picture of what worldwide risks the German banks were exposing themselves to, and the banks conceding that they of course had nothing to hide in Luxembourg or anywhere else, a compromise was reached, yielding the typical German gentlemen's agreement.

This one, however, goes beyond a handshake. A text is being circulated among German banks specifying what information the banks should supply and soliciting their agreement. Once the agreement is "ratified" by the banks, the accountants of the Luxembourg subsidiaries will be directed to compile tables showing the geographic spread, the volume and maturities of both assets and liabilities — although the chief source of concern is the asset side.

Especially large individual risks can even be described in greater detail, disguising the borrowers to protect bank secrecy.

Bank secrecy, of course, was the main concern of Luxembourg officials, confident that their own supervisory mechanism is adequately monitoring bank activity in the grand duchy. But the compromise now hammered out, involving global figures and revealing no customer names, meets with no objection from Luxembourg. So far as it goes, these officials have maintained from the beginning, the main disagreement is between the German banks and their regulatory authorities.

Next Step

German bankers are still a bit uneasy, not because of the agreement itself but for fear of what the next step might be. They already are making cautious statements to ward off any attempts to seek greater detail than agreed to in the compromise or to introduce stiffer regulation as a result of the information provided.

For his part, Mr. Jaans notes that the agreement reached with the Germans with so much hullabaloo is similar to a quiet accord long since worked out with the Nordic countries, which traditionally have a much closer (and more discreet) relationship with their domestic banks. The Luxembourg official attributes the publicity accompanying the German agreement to national temperament.

German banks in Luxembourg were part of another temperamental uproar just last month. Again it involved a gentlemen's agreement. This brouhaha concerned the placement of Deutsche mark notes on behalf of Deutsche Bank and Commerzbank's Luxembourg units in the Euromarket. This is not unprecedented and the amounts involved, *100 million DM* in each case, would hardly be enough to choke the market in normal circumstances.

The private placements, however, coincided with Deutsche Bank's decision to unload Canadian notes in the amount of 500 million DM, placements bearing a 5 percent coupon that it had been carrying on its own books since May.

The sticking point was that this flood of high-quality, short-maturity paper crowded some less attractive offerings from Algeria and Argentina out of the market. In fact, the whole market began suffering from indigestion — the type which the German Eurobond subcommittee, set up by gentlemen's agreement in 1968, is supposed to forestall by regulating the flow of new mark issues.

Self-Regulation

The problem is that issues from subsidiaries of the German banks, like those from supranational borrowers, are not subject to this self-regulation. As for the Canadian placement, Deutsche Bank reasoned that since it was not a new issue, but rather a secondary placement of paper duly approved last May it also did not come under the regulatory competence of the subcommittee.

Such sophistry angered the remaining banks. The 700 million DM of exceptions to the rule nearly equaled the 850 million DM approved according to the rules. While keeping within the letter of the gentlemen's agreement, Deutsche Bank, its critics charged, circumvented the whole purpose of the accord in a very ungentlemanly way.

A new consensus was apparently hammered out at a vigorous subcommittee meeting. It was agreed that large, market-affecting placements should be cleared with the subcommittee, even if it does not require approval under the rules.

For its part, Deutsche Bank refused to concede that the Canadian placement changed the market trend. Regarding the Luxembourg issue, the bank lamely pleaded that it could not know its offering would be followed so closely with a me-too placement (referring to the Commerzbank notes).

Somewhat obscured in the whole row is the development of an attractive refinancing instrument for the Luxembourg units. Deutsche Bank had used this method before — first with a 10-year dollar bond with warrants last year and earlier this year with a five-year DM note bearing 4¾ percent. The recent placements indicate that the idea is catching on and may provide the market with a steady source of high-quality, short-term mark paper.

China Fever Has Reached a New Pitch

FRANKFURT (IHT) - China fever has been agitating businessmen and bankers around the world all year, but this autumn it has reached a new pitch. China's declared intention to rapidly industrialize — a self-styled economic "long march" — has boosted stock prices in Tokyo, Frankfurt and even Milan as streams of industrialists and bankers have poured into Peking for their slice of the cake.

For the hard core of China experts in business it is a dream come true. But despite its magnitude, the new opening was hardly unexpected. The feeling among Western businessmen has been that sooner or later Chinese industrialization was inevitable.

China favors the non-superpowers as partners in its ambitious plans to erect 120 major industrial plants by 1985. The Japanese, because of geographic and cultural ties as well as the potence of their economy, have a decided edge. It was the $20 billion Sino-Japanese trade pact in February that first infected the world with China fever.

But the West German export machinery also cranked up and churned out a couple of jumbo potential orders in September and October; a $4 billion project to streamline Chinese coal mining and a $15 billion steelworks. The Chinese are seeking capital goods in those areas where the Germans are unsurpassed and are dealing with a well-oiled export mechanism that can put a complete package, including financing, on the table.

High Credit Rating

Bankers are pleased with China's ideological about-face on the question of foreign credits, along with the turnaround in countenancing export of natural resources, which is the main security for any credit. But the first reaction among European bankers was that initial financing would be tied to specific projects. While China's credit rating is unquestionably high — a virgin borrower with vast resources — it will take some time to sort through political, economic and monetary considerations to correctly position China in the international credit market.

Symptomatic was the difficulty encountered in Peking in October by Dresdner Bank chief executive Hans Friderichs in discussions concerning possible financing for the proposed German bid on the steelworks. The Chinese, it seems, have a predilection for dollar credits, while the huge amount of financing involved — up to DM 28 billion — means the German banks will have to rely on Bonn's export credit guarantees in order not to exceed legal restrictions on lending to single customers. These guarantees, of course, are provided only for Deutsche mark credits. However, Germans are hoping that the Chinese will change one more idea and accept mark credits.

The Japanese are in a similar situation. Their normal export financing, through the Export-Import Bank, for example, is geared exclusively in yen. Dollar credits up until now have come from the banks, but they must be refinanced on the open market. Flexible as the Japanese are with margins, not even they can deliver the 7.5-percent rate desired by the Chinese given the present dollar interest rates.

The British export system already makes provision for dollar credits, and the Italians reportedly are willing to provide the Chinese with a dollar credit. But the heavy industrial plants sought by the Chinese often cannot be had from Britain or Italy. German bankers and industrialists, who have faced similar problems before with Latin America and the Soviet Union, have to rely on the competitive edge of their products, technology, service and reliability to force the Chinese to accept at least some Deutsche mark exposure in their debt.

The rumors and speculation are bound to continue as the international banks work with the Chinese and their home governments to resolve the problem. In any case, said one well-informed banker, at least through mid-November no mandate had been given for financing in any currency.

It is obvious that the enormous financial needs of the Chinese expansion will be financed at least in part through the international markets. As an official of the Dresdner Bank unit in Luxembourg remarked, "In two years, China will be a major new Euromarket partner."

—D.D.

Euromarkets

Brazil's Borrowing Heads for a Record

By Kerry Fraser

SAO PAULO (IHT) — Brazil's total international borrowing this year is heading for a record of nearly $12.8 billion. After this proof of effectiveness, the country's strategy in foreign financial markets is unlikely to be altered significantly in the near future, although the government has just announced some important policy changes.

The presidency will change hands March 15, 1979, however, and bankers both here and abroad are uncertain about the way the new man, Gen. Joao Batista Figueiredo, will handle Brazil's intractable foreign debt problems and its approach to the international banking community.

Gen. Figueiredo has some room to maneuver. The present administration, led by Finance Minister Mario Henrique Simonsen, has taken advantage of favorable market conditions to build up reserves — Mr. Simonsen estimates an increase from $7.3 billion at the end of last year to "something more than $10 billion" at the end of 1978 — and to improve the debt profile by stretching out terms to as much as 15 years with five-year grace periods. International bankers give him full marks for his effort, but he will still leave Brazil heavily dependent on foreign borrowing.

However, the government has just made clear that reserves will not be allowed to increase. Left unclear is whether it will attempt to maintain the present reserve level.

. . .with the policy of generally going after project financing working as well as it has, the country is unlikely to opt for jumbo loans. . .

Borrowing

Brazil will have to borrow approximately $9.9 billion in 1979 to keep reserves constant and to cover the difference between inflows and outflows in the balance of payments. On the inflow side, direct investment should contribute about $1 billion as it has since 1974, but the commercial balance (exports less imports) is not going to help much. Mr. Simonsen is looking for a $700 million surplus for next year, bringing total inflows to $1.7 billion.

Outflows (services plus amortizations) will be close to $11.6 billion. Amortizations in 1979 will run to $5.4 billion, up from $3.8 billion this year, according to the central bank, and the deficit in services, which includes interest on the foreign debt, will continue to grow at least as quickly as it has in the past. In 1975 the deficit was $3 billion, and this year Mr. Simonsen is predicting $5.2 billion: Extrapolating to 1979 brings it to $6.2 billion, probably a conservative estimate because interest payments are escalating so rapidly.

Possible Changes

The foreign debt, according to Mr. Simonsen's estimations, will grow 25 percent to $40 billion this year, and interest payments will be at least $4 billion in 1979, depending on the performance of the London interbank offered rate (Libor). In 1977, when the debt at the beginning of the year stood at $25.9 billion, interest cost Brazil $2.5 billion, almost 10 percent of the debt when the Libor was much lower than it will be next year.

How might President-Elect Figueiredo change Brazil's borrowing strategy given the needs for next year? Some of the possibilities being considered by bankers here include running down reserves rather than adding so much to the debt; pushing borrowers to prepay or renegotiate; and exerting greater control over new borrowing. Market strategy could give greater emphasis to bond issues, but with the policy of generally going after project financing working as well as it has, the country is unlikely to opt for jumbo loans in spite of the wishes of some European bankers.

Tentative moves have already been made in some of these directions. Acominas, the state-owned steel mill, is renegotiating its $505 million loan with syndication leader Morgan Grenfell, and Eletrobras, the state-owned holding company for electrical generation, is renegotiating a $250 million loan.

There has been little response, however, because Brazilian bankers realize it would be unpopular, and beyond that, they themselves would save little. "You always have to deal with the same banks, and everyone remembers '73 and '74," says Horst Tiedemann, international director of the Banco Auxiliar, a medium-sized Brazilian bank with a very active exchange division.

"If they start renegotiating, the next time things get tough we probably wouldn't lend to them," declares one of the representatives of a large U.S. bank.

The Nice Guys

"Brazil wants to be considered one of the nice guys," says the representative of a Canadian bank. "They agreed to these terms and they'll stick to them. It's politically expedient. The Brazilians are going to need us for a long time." He does not expect anything to happen unless the international banks, competing for business, start offering to replace the loans made by other banks a couple of years ago with new ones at better rates. This, he thinks, is exactly what the central bank is waiting for.

The government has just increased controls on borrowing abroad. Up to now, the government had insisted that incoming loans be left on deposit with the central bank for up to 150 days in order to postpone the impact on the money supply. The government has just announced that the 150-day freeze on loans would remain in effect, but instead of being disbursed immediately the cash would be made available in three installments during the following 60 days.

At the same time, the government has boosted from five to eight years the minimum term for foreign loans to the private and public sectors.

State-owned companies will have a limit on their borrowings. They will continue to line up for central bank approval of their loan requests, and the bank will control total borrowing in the public sector in conjunction with balance of payments needs.

Some European bankers complain that their portfolios are getting stuffed with Brazilian paper, and they would prefer fewer but larger jumbo loans from Brazil. However, they run counter to interests of British, West German and U.S. bankers with a Brazilian presence who much prefer project loans that generate lucrative spin-off business and are frequently oversubscribed. A. W. Clauson, president and chief executive officer of Bank of America, one of Brazil's largest creditors, says, "We prefer to loan to a project," and he would not be pleased to see jumbo loans.

Umbrella Approach

Mr. Clauson suggests that only banks incapable of analyzing Brazilian projects, or merchant banks that earn their profits by organizing rather than by making loans, would prefer the umbrella approach. Given the attitude of bankers with a strong voice in Brazil and the success of the existing strategy, there is little chance of a change.

However, with the government's new restrictions on foreign loans, there may be an increase in bond issues. Bonds will not be limited the way loans will be, so the market may see a substantial increase in such issues next year. Mr. Simonsen has hinted he would like to see this.

This year, according to Paulo Lira, president of the central bank, Brazil will raise the equivalent of $1 billion in bonds. Earlier, he had forecast $750 million would be raised this year, about the same as in 1977. Donald Pearson, Midland Bank representative in Brazil, points out that the country has gained broad experience in different markets — Swiss franc, yen, Deutsche mark, dollar and even Kuwaiti dinar. With this knowledge, Brazilians are ready to go with an alternative if they need it.

Euromarkets

Lending to Comecon Limited by Low Spreads, Not High Risk

By Alan Tillier

LONDON (IHT) — Lending to Comecon countries is still regarded as a good risk by major banks in the United States, Western Europe and Japan, despite opposition to the increasingly favorable terms being demanded by the Communist borrowers. The U.S. banks in particular are tending to hold off until the various state banks in Eastern Europe agree to more profitable long-term arrangements. For the moment, however, European and Japanese banks see things differently and are continuing to lend.

Not surprisingly, the Communist borrowers are trying to benefit from a situation of high liquidity that has driven down spreads — the rates borrowers pay on loans over and above Libor (London interbank offered rate).

Cheap rates are one thing. Another is the ability to raise large sums of money in a quick, orderly manner. Western bankers, including the Europeans, do not like these spreads falling towards the 1/2 percent level. They would like a rate of at least 3/4 percent over Libor. This would improve their commissions and make Comecon's borrowing easier. Comecon borrowers at the moment are obtaining spreads of 5/8 percent for the initial couple of years, followed by 3/4 percent for the remainder of the customary 7-year tenure.

It is the low level of spreads rather than the long-term ability of the Communists to repay their $50 billion of gross outstanding debts (to banks and government credit organizations) that is preoccupying many bankers as they look towards Comecon borrowing requirements in 1979. Already, it looks as if 1978 will end with total Comecon borrowing standing at around $3 billion, compared with $5-to-$6 billion last year, a roughly equal amount in 1976 and some $8 billion in 1975, the record year.

An important factor is the necessity of the Comecon countries to cut back on imports from the West in order to conserve their hard currency. Lower imports of goods or plant mean fewer loans. Nevertheless, there are sufficient priority programs underway to make borrowing in the West a continuing fact of life.

Overall, efforts by the Comecon countries to bring their hard currency trade into balance have resulted in a $6 billion reduction of the trade deficit during the past two years — $2 billion in 1976 and about $4 billion last year.

Total debt figures based upon statistics of the Bank for International Settlements in Basel are rising, but the rate of borrowing this year is certainly slowing. The BIS has expanded its coverage of Western bank positions by including data on banks in Austria, Denmark and Ireland. In addition, banks in some of the reporting countries now also supply information on other assets — besides loans — such as supplier credits, commercial bills and acceptances.

Based on this expanded coverage, the Comecon countries' net debt to the Western banking system was $4.8 billion higher at the end of December, 1977, than previously reported. Their liabilities to the banks went up by $5.42 billion to $38.3 billion, and their deposits with the banks showed a $587 million increase to $8.3 billion.

During the first quarter of this year Comecon countries' deposits with the banks declined by $343 million to $7.97 billion, while their liabilities increased by $1.9 billion to $40.2 billion. Their borrowings on the Eurocurrency market accounted for 67 percent of their liabilities to the banks — $25.7 billion at the end of 1977 and $27 billion at the end of March, 1978.

On the asset side, Comecon countries' deposits on the Eurocurrency markets accounted for a little more than 80 percent of their total deposits with the banks — $7 billion at the end of 1977 and $6.6 billion at the end of the first quarter of this year. These are the latest basic figures on Comecon's financial posture towards the Western banks — to which must be added the government-guaranteed export credits.

The largest share of the debt, about 47 percent, is owed to Western banks. Drawings on officially supported Western export credits account for about 43 percent and supplier credits around 8 percent. (Soviet proportions are different — 25 percent to banks, 62 percent official credits.)

The $50 billion debt figure that results from these sums does not in itself cause Western bankers to lose much sleep. Communist borrowers are regular repayers; they have mineral resources to underpin their borrowing and, if necessary, they can employ their centralized systems to divert effort and money into repayments. Western bankers who are used to dealing with Comecon say this $50 billion figure is similar to that of Brazil.

Borrowing

The level of Comecon borrowing will depend to a large extent upon the success or failure of Soviet harvests, improvement of Polish agriculture, how much oil the Comecon countries will receive from the Soviet Union and how much they may have to buy on dollar-based markets.

Nevertheless, the Comecon countries, led by the Soviet Union, are still trying to push spreads down to the point where forthcoming loans will be regarded as tests of the willingness on the part of the Western banks to lend large amounts. One London banker said, "The Soviets may try to obtain half percent, but will they succeed?"

Spreads are already down to nearly this. One of the two Comecon banks, the International Investment Bank (IIB) obtained its last $500 million at a rate of 5/8-3/4 percent over Libor, whereas in the past it had always paid a little more in order to raise large sums without problems. It now considers itself on a par with the Soviet Foreign Trade Bank, which in turn has sent shock waves through the market with its repayment moves.

This fall the Soviet Foreign Trade Bank announced it was prepaying some $350 million in loans from Western consortia. The view that it would seek refinancing elsewhere at a half percent proved incorrect for the moment. One of the loans prepayed was the $250 million five-year credit at a 1.25 percent spread arranged in 1975 by a group headed by Lazard Freres et Cie., of Paris with Banque Nationale de Paris and Morgan Guaranty as co-managers. Lazard is now rearranging a private syndication for $250 million at 5/8 percent for a long 10-year period.

The second loan to be affected was the $400 million five-year syndication at 1.25 percent over Libor arranged in 1976 and for which the lead managers were Citicorp International Bank, Moscow Narodny Bank and Societe Generale. The first tranche of $100 million has been prepayed. A total of $1 billion could be up for refinancing at better spreads and longer maturities.

Prepayment also "looks good," although many Western bankers think the Soviets would be better advised to keep the money in their reserves because of the grain situation.

All other Comecon borrowers have been able to obtain better spreads this year. The astute Hungarians borrowed $300 million at 5/8-3/4 percent from a group headed by Continental Illinois (the last major borrowing arranged by a U.S. bank). The Romanians jumped on the bandwagon and had Barclays arrange a $300 million loan on similar terms.

The Czechs, who were borrowing at 1.125 percent over Libor in the summer of 1977, have dropped down to the same level as the Hungarians and the Romanians. The latest East German loan — $150 million for the Foreign Trade Bank arranged by Lloyds — is also at the same rates. U.S. banks were not even asked to take part in the management group as it is so well-known now that they will not come in under 3/4 percent (a few smaller U.S. banks could take some part in the syndication).

This East German borrowing was something of a test. The view among bankers is that the Bulgarians, too, could now obtain the same spreads.

Poland has to pay more because of a debt that falls not far short of the Soviet Union's $17 billion, but even here terms are getting finer while new means of financing are being used to overcome the fact that many banks have reached their lending limits with the Poles. The $250 million Eurocredit for the Polish copper industry saw the U.S. Comptroller of the Currency recognize the Lubin Copper Mining and Metallurgical Combine as a separate borrower, a kind of second Poland.

Philippines Begins to Stagger Under Foreign Debt

By Bernard Wideman

MANILA (IHT) — The Philippines is beginning to stagger slightly from its heavy foreign borrowings, but foreign bankers and finance ministers still consider the country a good risk. One foreign banker here summed it up by saying: "The economic situation doesn't look very bright, but the political situation is quite stable, so we're happy to lend money to the country. But we prefer medium-term rather than long-term loans."

The stable (some call it stagnating) political atmosphere has resulted from the one-man rule by President/Prime Minister Ferdinand E. Marcos, running the country through martial law decrees for the past six years. Money lenders appreciate stability, and World Bank President Robert McNamara pointed out to Mrs. Marcos last July that the bank had increased its lending to her husband's government by twentyfold following the imposition of martial law — from an average of $12 million yearly in the 1960s to a yearly average of $250 million during military rule.

Total foreign debt has increased from $2 billion in 1972 (the year when martial law was imposed) to $7.2 billion at the end of first semester 1978. It is expected to approach $8 billion by year-end.

Debt-service ratios — calculated by dividing the current year's debt service by the previous year's foreign exchange receipts — have remained below the 20-percent danger mark. But the ratios have had to be revised upwards by government planners because foreign exchange earnings have been way below anticipation. The debt-service ratio for this year is likely to be 18 percent — up from a planned 13 percent. Next year's estimate has been raised to 17 percent from an earlier estimate of 11 percent.

In 1977, the $943 million debt service was divided by the $5.3 billion in foreign exchange receipts, for a ratio of 17.8 percent. But only $3 billion of the receipts were earnings, putting the ratio of debt service to earnings at an awkward 31.1 percent. This year's debt service amounts to $1 billion — $332 million in interest and $683 million in principal.

The World Bank estimates that the country will have to have net inflows of $1 billion yearly until 1985 in order to push the economy to take off and that these amounts will have to come mainly from medium and long-term loans. However, in order to repay these loans (and to build up the economy), the bank envisions exports increasing by 16 percent yearly, while increases in imports should not exceed 14 percent.

These expectations have not been fulfilled. Although 1977 exports showed a 16-percent increase over 1976 exports, the first nine months of this year saw exports increase a meager 3.8 percent (to $2 billion) compared to the first nine months of last year. Meanwhile, imports for the nine-month period rose 22 percent to $2.9 billion, leaving a balance of trade deficit of $910 million. The year's deficit is expected to top the $1 billion mark, compared to a $764 million deficit last year and a $1.06 billion deficit in 1976.

This year's widened deficit has shocked government planners and forced Mr. Marcos to decree a 5-percent slash in budgetary expenditures. The deficit-spending budget is pegged at 32.2 billion pesos ($4.3 billion), with the lion's share of more than 17 percent going to the military.

Aside from the gloomy trade picture, there are two other constraints on foreign borrowing. One is the inability of the government to generate sufficient domestic resources to meet budgetary obligations, thus necessitating foreign borrowing for budgetary needs. The other constraint is the use of foreign borrowing for economically unfeasible projects, such as the convention center and the glut of hotels built since 1975 at a cost of some $600 million.

The borrowers, mostly friends and relatives of Mr. Marcos, are almost all late in their repayments to government lending institutions. The World Bank noted that principal loans of the Development Bank of the Philippines — which funded much of the hotel building — were 65 percent in arrears in 1975 and 73 percent in arrears in 1977. The bank termed this poor collection record "disturbing."

Negative Factors.

Summing up the negative factors at work in the economy, observers note that the GNP growth rate will not approach the 7.5-percent target and will likely be near last year's 6.3 percent.

On the plus side is the fact that the largest percentage of foreign borrowings has gone to infrastructure projects such as power generation and electrification (15 percent of total borrowings). But most of this money is to pay for a $1.1 billion nuclear power plant that is already considered a white elephant by government planners.

Most of the outstanding foreign debt (28 percent) is owed to the United States, with Japanese creditors in second place (15 percent) and the International Monetary Fund in third place (8 percent).

The IMF placed a $950 million ceiling on borrowings of 1-15 year maturities, as a result of the government's availing of the IMF's extended fund facility three years ago. Under that facility, the government drew $260 million in special drawing rights.

But with the termination of the obligation at year-end 1978, the country is expected to increase its borrowings. Finance Minister Cesar Virata has been quoted as saying that he is looking for a commercial loan of between $200 million and $250 million for the first quarter of next year.

This loan will function similarly to the "jumbo" loan worked out last June by the government and 60 foreign banks led by Manufacturers Hanover Trust Company. That 10-year loan had interest of one percent over the London interbank offered rate (Libor) and was used partly to re-finance earlier loans contracted at higher interest, while the remainder was lent to local borrowers through government financial institutions. It is the government's policy that small private borrowers take their foreign exchange loans from the government banks, while large corporations can deal directly with foreign banks.

In this regard, however, the introduction of offshore banking here last year has produced some unforeseen problems. It is widely known in financial circles that the offshore units lend short-term foreign exchange to local banks, which in turn lend it to local borrowers who occasionally change it for pesos on the black market and invest the proceeds in the stock market. Observers say that the government is now trying to determine how much of a debt problem this short-term money actually is — especially when it is revolving credits.

Gregorio Licaros, governor of the central bank, says that next year's government borrowings from foreign commercial sources will be limited to $500 million, as compared with this year's $643 million. He indicated that the government is trying to limit its dependence on foreign loans.

Japanese Awash in Liquidity, and Bankers Are Eager to Lend

By Robert Y. Horiguchi

TOKYO (IHT) — Eastern Europe's money men are joining their capitalistic confreres to beat a path to Tokyo where funds are lush, interest is low and bankers are eager to lend.

Not only are individual Communist bloc nations tapping this favorable market but the International Investment Bank of Comecon, the Moscow-dominated economic organization, is reported to be actively shopping around for a loan on bargain-basement terms.

The Eastern bloc's purchases of goods are financed mostly by funds raised in the Eurodollar market. But many Western bankers have recently been getting nervous about the size of their cumulative debt with Comecon nations and are calling for restraint.

So the East Europeans have turned to Tokyo where the Japanese see in this trend an excellent opportunity for increasing trade with the Eastern bloc through liberalized lending, both in dollars and in yen. The most recent borrowers have included Yugoslavia, Hungary and Bulgaria.

This is one of the salient developments in the rapid internationalization of the Tokyo money market, where financial institutions of all types are looking far and wide for foreign borrowers to take up the slack in domestic demand for medium and long-term financing as local investment in plant and equipment remains in the doldrums.

By the best estimates available, medium and long-term loans by Japanese banks to non-Japanese borrowers amounted to $6.9 billion in the first six months of this year, almost a 75-percent increase over the $4.2 billion in such loans throughout 1977.

This quickened pace in lending brought the amount outstanding in such loans from approximately $8 billion at the end of June, 1977, to an estimated $14 billion by Aug. 31 this year, according to one study.

The bulk of the loans, about 55 percent, was in dollars although interest on yen loans is lower than on dollar financing.

Nevertheless, foreign borrowers are inclined to shun yen loans in the belief that the year-long rise in the exchange value of the yen has not yet peaked, and they fear facing exchange losses at repayment time in spite of the fact that most loans have maturities of seven years or more, according to banking sources.

Another reason is that government authorities discourage yen loans in that these do not directly contribute to their efforts to pare down Japan's bulging foreign reserves through an outflow of dollars. These reserves, mostly in dollars, stood at a record-breaking $29.4 billion on Oct. 31. Combined with surpluses in the trade, current, basic and overall accounts in Japan's balance of payments, these reserves play a major role in pushing the yen further upwards on the international exchange markets.

Japanese bankers say that in addition to the lack of domestic demand for term funds, they are having to lend money on increasingly competitive terms to foreign borrowers because of the pressure of liquidity in the international banking system caused by the increase in the amount of resources available to banks in the Eurocurrency market. The main factor in this liquidity is the unfavorable U.S. balance of payments.

They point out that interest margins, maturities and credit terms have all moved steadily against the lending banks and in favor of the borrowers.

"We are today in a borrower's market," says Toshio Joki, director for international operations of the Mitsui Bank.

Trimming Spreads

To meet this situation, Japanese banks are squeezing their interest rate margins — as spreads — as they seek harder and further afield for profitable lending opportunities.

This competition in trimmming spreads touched off some time ago a "mini-war" of words between Japanese and Western banks that has caused consternation in Tokyo's paternalistic Ministry of Finance where it was seen as a threat to the reputation of Japanese banking.

The commotion was caused by a recent loan made by an all-Japanese banking syndicate to the state-run British Electricity Council. The Japanese banks, including Mitsubishi, Sumitomo, Fuji and the Long-Term Credit Bank of Japan, lent $500 million for 10 years at the low rate of 0.5 percent above the London interbank offered rate (Libor) for the first six years, and 0.625 percent thereafter.

U.S. and European bankers charged that the low interest level was unjustified by market conditions and accused the Japanese of deliberate rate-cutting to steal markets.

Suspicions were voiced openly by U.S. bankers that Japanese banks were secretly getting dollars from the Bank of Japan instead of the regular interbank market in London or New York.

Japanese bankers vehemently deny this although admitting that the government is making dollars available to them to be lent out at reduced interest rates to importers to help them buy more abroad so as to trim Japan's bulging trade surplus.

They assert that the use of such dollar funds is strictly controlled and point out in their defense that these import-promotion funds are now also being made available to foreign banks operating in Japan. The banks discount bills for domestic importers, then offer these bills as collateral for yen-denominated loans from the Bank of Japan at the low 3.5-percent bank rate and then relend the money at 3.75 percent. Interest rates are now approaching 9 percent for dollar settlements.

As the controversy heated up, a U.S. banker coined the term "Banzai loan" to describe the deal, comparing it to the suicide charges made by the Japanese infantry in World War II. He paired it with Samurai bonds, the popular expression for yen-denominated foreign bonds floated in Tokyo.

The furor was aggravated by the fact that, according to non-Japanese bankers, this cheap loan came at a time when U.S. banks were beginning to take a harder line on interest rate spreads and the syndicated loan market in Europe was beginning to stabilize.

The Japanese retorted that the City of Paris had obtained a loan of 0.5 percent over Libor from a syndicate of French banks some months earlier.

They further pointed out that the decline in spreads has been a consistent trend during the past three years. During 1976, the lowest spreads for prime borrowers declined from 1.25 percent to one percent, during 1977 to 0.875 percent and this year to 0.5 percent for loans maturing in five years. In the very competitive conditions that prevailed in 1974, the finest rates were 0.375 persent.

Nevertheless, the imbroglio was sufficient for the Tokyo monetary authorities to call on the bankers for restraint. Toshimitsu Ohba, counselor for international finance in the Finance Ministry, says he wants the banks to maintain conventional standards for maturity-matching by observing the principle of financing medium and long-term foreign credits with term obligations (deposits). In Japanese banking parlance, this means deposits of more than one year and a day.

The cost of money for Japanese commercial banks has dropped sharply following the successive lowering of the Bank of Japan's discount rate to a record-setting 3.5 percent on March 16, a reduction of 5.5 percent from its peak in 1974. Interest rates on deposits were lowered proportionately so that ordinary savings deposits now yield a minimal one percent interest per annum.

But 60 percent of the total deposits are term deposits. Interest rates on these are 4.5 percent for one-year and 4.75 percent for two-year deposits.

Another cheap source of yen for Japanese banks is the call market, made up mostly of overnight funds. These funds are cheaper than those raised from deposits because of the low prevailing call rates. The Bank of Japan allows the banks to roll over these funds indefinitely to enable them to sustain their over-loaned positions, but it has the power to intervene in the market by setting call rates.

In addition, loan funds have recently been supplied by life insurance companies that have joined the banking syndicates. This development, which at one time attracted considerable interest, now appears to have become a common practice.

The loans being provided by Japanese banking syndicates naturally vary in terms, maturities and conditions. However, the rule of thumb is that for dollar loans, interest rates will be Libor-based with spreads ranging from 0.5 percent to 0.875 percent over Libor, while in the case of yen lendings, the Japanese long-term prime rate will prevail.

In the latter case two formulas are predominant. One, on loans with five to seven-year maturities to favored customers, calls for an interest rate of 7.1 percent per year, the same as the domestic long-term prime rate. For financing exceeding such periods, 0.5 percentage points are added. The other formula sets a 7.6-percent interest with a proviso for a rate revision every two years.

One example of such favorable rates reportedly being offered is that of a 7.1-percent per year interest on a 40 billion yen, 10-year loan to Australia now being put together by a group of banks including the Bank of Tokyo, Fuji Bank and the Long-Term Credit Bank.

Australia will be provided another 40 billion yen over 20 years by a syndicate headed by the Mitsubishi Trust Bank and the Nippon Life Insurance Co., but this time with an interest rate of 7.6 percent.

The same rate applied to the largest single loan extended to a overseas borrower by a Japanese syndicate, a 70 billion yen 20-year credit to the World Bank. In this case, 11 life insurance firms provided 45 billion yen against 25 billion yen provided by the Bank of Tokyo, manager of the syndicate, the Industrial Bank of Japan, the Long-Term Credit Bank and the Nippon Credit Bank. The previous largest syndicated loan in yen was for 30 billion, also to the World Bank.

One diversion from this rule is a floating interest rate based on the Japanese prime long-term interest rate that has been applied to a 5 billion yen eight-year credit to the Banque Populaire d'Algerie, in which several foreign banks in Tokyo participated for the first time in a yen-denominated loan to an overseas borrower.

The rate, floating at a margin of 0.5 percent above the long-term prime rate of 7.1 percent, will be reviewed every four months.

The Tokai Bank was the lead manager in the syndicate, which included nine foreign banks.

Previously only single foreign banks in Japan had participated in a syndicate for yen loans abroad. The first was in January of this year when Commerzbank joined a group of more than 10 Japanese banks in a loan to Sonatrach of Algeria, and in August when UBAF was part of a loan consortium to Morocco's Banque Nationale pour le Developpement Economique.

Two foreign banks joined on Nov. 17 a consortium of nine Japanese banks and ten life insurance companies to lend 17 billion yen to the Algerian Maritime Transport Corp. at a rate of 0.4 percent above the 7.1-percent domestic long-term interest rate. The banks provided 9 billion yen, the insurance companies 8 billion yen. The interest rate will be reviewed every six months.

The Finance Ministry, which approved the participation of foreign banks in the comparatively small Algerian loan, is not expected to allow a foreign bank or banks to take the lead in a syndicated yen loan for a overseas borrower.

Mexico a Major Borrower

By Pablo Madero

MEXICO CITY (IHT) — Only a year ago the Mexican government received a $1.2 billion 7-year Eurodollar loan with a margin over interbank rates of 1¾ percent. Last month SOMEX, a government-owned financial institution formed recently from several banks, received a $225 million 7-year loan at 7/8 percent. Thus in one year, Mexico has considerably increased its standing on the Euromarket.

Mexico's public foreign debt stands at $25 billion and its private foreign debt another $5 billion. After Brazil, it is the most indebted country in Latin America. The debt service ratio is 35 percent. Until the end of last year the standard rates of borrowing for Mexico were always on the order of 3/4 percent over Libor for six months, one percent for a year, 1¼ percent for two years, 1⅜ for three years, 1½ for five years and 1¾ for seven years. But now, with the nation's booming oil industry pushing general economic recovery since the 1976 devaluation of the peso, there are no fixed rates.

Some bankers would say that the Finance Ministry, whose director of debt keeps a close eye on the country's borrowing, is becoming rather bullish in its approach to getting credit. The government now feels that it can afford to push itself. It has not defaulted on payments since the 1930s and there is growing confidence under the leadership of President Jose Lopez Portillo.

In addition, there is the country's "black gold." And there is the liquidity in the world's banks with bankers falling over each other in the rush to find borrowers. All of this makes Mexico, once a headache to many bankers, quite an attractive market.

Although the government is saddled with an inordinately high debt, it gives no impression of being unduly worried about it. The International Monetary Fund, however, is concerned. During the discussions for the terms of the post-devaluation credit facilities the IMF imposed a foreign debt limit for the amount of new money for 1978 of $3 billion. It also laid down other conditions including reducing the high public sector deficit — the public sector having been financed under the last president, Luis Echeverria, mainly from foreign borrowing.

Mexico has borrowed its limit for 1978. The main loan this year was $1 billion for Petroleos Mexicanos (PEMEX), the state-owned oil monopoly, which obtained the money for 10 years at a margin of 1¼ percent over Libor plus front end commissions of 3/4 percent. Less than a year ago in a $350 million loan PEMEX paid 1½ percent over Libor and one percent in commissions for five-year money. To complete the picture, PEMEX recently obtained between $500 million and $700 million from at least seven international banks with a margin ranging from 3/4 to 7/8 over Libor and front-end commissions of only 1/4 percent. PEMEX managed it by skillfully negotiating with individual banks for small amounts instead of going for one giant credit.

The other high priority is the federal electricity commission, which is scheduled to spend 90.3 billion pesos ($3.9 billion) this year in order to provide the increased power base for Mexican industry.

Not Worried

This year Mexico will have borrowed about $8 billion, of which $5 billion is to repay debt maturing this year and the remaining $3 billion is new money. Bankers are not worried about Mexico's ability to repay its debt, but there is concern about the maturity structure, which leaves a high proportion of the total to be repaid within a year.

This autumn the public debt office tried to restructure foreign debt and to centralize borrowing, but so far this has not materialized. Carlos Martinez Ulloa, the director of public debt, reportedly wanted to obtain a $2 billion standby credit with the idea of replacing the lines of credit taken out by Mexican public sector agencies. The credit, which would have been managed by the Finance Ministry, would have served as a pool for the agencies. Medium-term borrowing would have been regulated with the aim of avoiding some of the disarray that occurred in the past when all agencies would go to the market on their own.

Euromarkets

OPEC's Surplus Expected to Continue Its Decline Next Year

By John Townsend

MANAMA, Bahrain (IHT) — The current-account surplus of the nations belonging to the Organization of Petroleum Exporting Countries is estimated to amount to some $20 billion for 1978, compared to $33.8 billion in 1977 and $35.8 billion in 1976. While the projections for 1979 are clouded by the prospect of a significant rise in the oil price at current prices, the best estimates suggest that the 1979 OPEC current-account surplus would probably be of the order of $7 billion

Part of the explanation of a falling surplus is, of course, falling oil exports from the OPEC states, reflecting the continued economic malaise of the industrialized West and the increasing availability of alternative energy sources. A far more significant reason is that the domestic expenditure of the OPEC nations in their own societies has generated an appetite for imports that is growing at such a rate that at present oil prices only Saudi Arabia and Kuwait would be likely to continue to generate significant future balance of payments surpluses.

Even Saudi Arabia, as a result of a decline in its crude oil exports and a growing demand for expensive industrial capital equipment and technology, had to transfer SR 3.2 billion ($961 million) at the end of September, 1978, from its own reserves to help finance industrial development projects.

Naturally enough, the falling surplus of the oil producing states has had an effect on their foreign investments. The Bank of England estimated that OPEC foreign investments fell from $12.6 billion in the last six months of 1977 to $6.4 billion in the first half of 1978. At the same time, Middle East oil exporting countries' deposits with U.S. banks fell from $9.2 billion to $7.7 billion from January to June, 1978. The International Monetary Fund, in its 1978 Annual Report, commented that "the expected decline in new external investments of the oil exporters from 1977 to 1978 is likely to be smaller than the projected drop in their current-account surplus because of an increase in new borrowings by oil exporting countries with high absorptive capacity."

Massive borrowing by OPEC countries, especially by countries such as Venezuela, Algeria and Iran — all countries with ambitious development and industrialization plans and high capacity to absorb the rapid growth — has become a feature of the international capital market. OPEC borrowers accounted for credits totaling $7.48 billion in Eurocurrencies in 1977, and for a further $4.93 billion in the first six months of 1978. In general, OPEC borrowers were offered attractive terms by the market, with a spread of under one percent over the London interbank offered rate (Libor). The exception was Algeria, historically a heavy borrower, which has had to borrow at almost 1.5 percent over Libor.

The United Arab Emirates appears also as a borrower, reflecting the loose political structure of the U.A.E., with Abu Dhabi earning substantial current-account surpluses and Dubai borrowing up to the maximum of its very considerable credit worthiness.

OPEC EUROCURRENCY BANK CREDITS
(in billions of dollars)

	Year 1977	Jan.-June 1977	Jan.-June 1978
Venezuela	1.67	1.25	1.32
Algeria	.72	.24	1.07
Indonesia	.82	–	.72
Iran	1.22	.66	.71
U.A.E.	1.09	.70	.53
Qatar	.35	.35	.16
Nigeria	1.09	–	–
Other	.61	.26	.42
Total:	**7.48**	**3.46**	**4.93**

Source: World Financial Markets

Pointers for 1979, depending always on the size of the oil price increase likely at the end of 1978, will include the international capital market's reaction to any further request for borrowing from Iran. It is possible that Iraq, also a country with ambitious plans for industrial development and a fast growing domestic consumer market, may approach the market and join the ranks of significant OPEC borrowers.

It might be asked why the OPEC nations do not simply lend to each other, as the overall surplus remains still far greater than the total borrowing. In a sense they do, in that much of the surplus is in the form of deposits in international banks and hence is available for lending to the OPEC debtor nations. Although the Arab members of OPEC are fast becoming what Said Nabulsi, the governor of the central bank of Jordan, calls intermediaries in the international capital market instead of only the suppliers of capital, OPEC as a whole does not have the coherence and the institutional strength to permit it to act as a bank itself. It does have its own OPEC Special Fund, to which all members contribute, and which makes loans, generally in conjunction with multilateral agencies or with national development funds, for specific development projects. The OPEC Special Fund is intended as a development fund for deployment throughout the Third World; it was never intended as a buffer fund for the OPEC nations themselves.

Insofar as it is the Arab members of OPEC who are the surplus earners, it is reasonable to look at the development of Arab financial institutions, as distinct from OPEC financial institutions. Arab contributions to international lending have so far tended to be on an ad hoc basis, with little or no cooperation among the various Arab financial institutions themselves in the provision of loans or even in the membership of international syndicates providing loans to borrowing nations.

This tendency is beginning to change, as Arab money managers develop in professional expertise and self-confidence. The dream of a unified Arab currency is a long way off, but increasing collaboration among the Arab lender nations in OPEC is regarded by many as the first step towards the creation of a genuine Arab capital market.

Two developments underline this thesis. First, the creation of the Arab Monetary Fund (AMF) has provided a central institution for general lending as well as for balance of payments support. The first operation of the AMF was the fund's participation in a $120 million Eurocurency loan to Algeria. Subsequently, the AMF has provided balance of payments support credits for Egypt and Sudan.

Although the Arab surplus states, especially Saudi Arabia and Kuwait, do not have a dominating role in the AMF at the present time, many observers believe that in the future the fund will become more and more the logical vehicle for deploying OPEC Arab surplus funds to meet the needs of the borrowing nations of the Arab world. The logic behind this concept is that the AMF would provide a reasonably apolitical set of rules for the management of loan capital. The Saudis, for example, now worry about making untied loans to other Arab states, for they have little control over the use of the money provided and no certain way of ensuring that loan capital is used for the purpose for which it was originally provided.

Investment Banks

The second development leading towards the creation of an Arab capital market based on oil revenue surpluses is the development of genuine Arab investment banks. For the best part of a quarter of a century, the Arab world has talked of setting up Arab investment institutions. Many intergovernment bodies with impressive sounding names were spawned, but few became genuine investment and lending institutions. An exception to be noted is the Riyadh-based Arab Investment Co., which has had a certain amount of success in investing Arab surplus funds in developing countries, for example, the Sudan. Part of the problem was that the government-sponsored investment institutions tended to be managed by civil servants or dignitaries, rather than by bankers.

The OPEC surplus, almost all of it Arab, has encouraged bankers to set up consortium banks aimed at the commercial lending of the surplus. Banks such as the Banque Arabe et Internationale d'Investissement (BAII) and the Union de Banques Arabes et Francaises (UBAF) were intended to combine Arab money with Arab and international management expertise to ensure the profitable lending of surplus funds. Now Arab bankers are going it alone, with organizations such as the Bahrain-based Gulf International Bank and the Kuwait International Investment Co. being seen as lead managers for OPEC and non-OPEC international borrowers. This trend may be expected to continue, as the Arab merchants of the Gulf and the peninsula deploy their considerable entrepreneurial and mercantile skills to maximize the return on the oil surpluses earned by their governments' exports of crude oil. Already, these banks are attracting a share of oil surplus deposits, a share that is likely to grow in the future.

Contradictions

What of the future of the OPEC surplus, and hence that of the OPEC borrowers and lenders? There are two distinct trends, which could become contradictory. First, the OPEC borrowers, and especially those with the determination to create modern industrial societies — Venezuela, Algeria, Iran (in spite of recent troubles, the country has really no other option), Iraq, Indonesia, Nigeria — will tend to become more international, and to borrow on international markets at the best rates and with the best available conditions. No oil price increase can provide the development capital that they need to deploy over the space of two or three decades if their plans and aspirations are to be satisfied.

Already some of these countries, Algeria being a prime example, have tended to mortgage their future by saddling themselves with high levels of loan servicing charges over the ensuing decade. Of course, loans can always be extended and rescheduled, but the ultimate liability for future generations remains.

The calculation of policy makers is that the increased earning capacity of the society that they are trying to create will make loan service charges that seem high today a much more easily digested item in the national budgets of the future. The OPEC borrowers, certainly the larger of them, are thus firmly linked to the international monetary system.

The OPEC lenders, in essence only Saudi Arabia and Kuwait, with the U.A.E. having a small share of the surplus, are to a certain extent bound by geography and by tradition to look to a regional, pan-Arab world, rather than to the international community. This is not to say that they are parochial. On the contrary, their aid record to the Third World is both generous and effective, and their role in the international financial community is both responsible and professional.

The point is that, whereas the OPEC borrowers have little in common save their need for international bank credit, and hence have to have an international approach, the OPEC lenders, being small countries with a common heritage, are tending to form a regional capital market and a set of institutions aimed at giving them added strength in the international capital markets of the future.

Swiss Seeking New Roles But Terms Unappealing

By Bhushan Bahree

ZURICH (IHT) — The big Swiss bankers are seeking to expand their role in the syndicated loan market and at the same time reduce their interbank lending business. Given the current state of the market, however, where the borrowers have the upper hand, the Swiss have found the terms unappealing. Consequently, they have had to be content with being able only to maintain their share, estimated at somewhat less than 10 percent of new business in syndicated loans.

At Credit Suisse, the third largest Swiss bank, Senior Vice President Hans-Ulrich Doerig says that Swiss participation in syndicated lending may be down slightly from last year, but this difference is probably accounted for by currency changes, with the rising Swiss franc resulting in lower entries on Swiss banks' balance sheets.

Although Swiss bankers in private express interest in diversifying their activities by participation in more syndicated loans, in public they are more cautious, citing the borrowing-short and lending-long aspect of this market.

The disenchantment of the Swiss with the current market is partly due to factors that also affect other banks in the Eurocredit business, and partly due to special circumstances of their own. Thus, Swiss bankers cite the narrow spreads, the long maturities and contractual terms that increasingly favor the borrower, developments that affect all in the Eurocredit business. The factors that apply particularly to the Swiss are the high liquidity and capital requirements, and the fact that the rise of the Swiss franc and the consequent outcry by the Swiss export industry has meant that the banks have had to take into account the political and social climate in Switzerland and be ready to give preference to export loans.

At Basel-based Swiss Bank Corp., Guido Condrau, vice-president in charge of syndicated loans, says that because banks are refinancing themselves in the short-term, and because the Swiss banks are not dollar based and as such have no lender of last resort, "it makes us very reluctant on long maturities — 10 years or more."

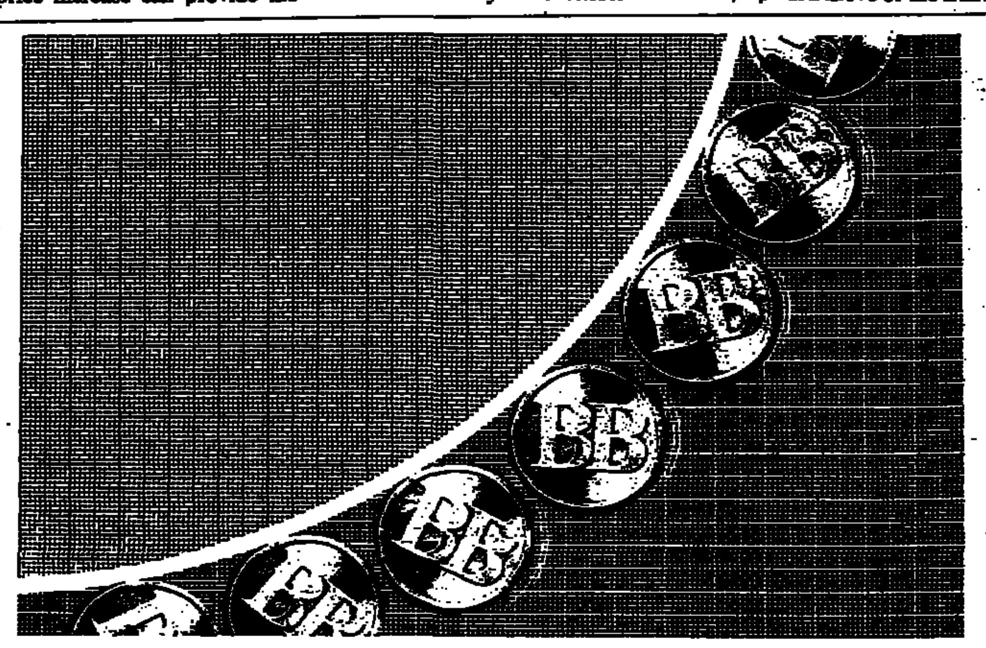
On the ever-narrowing spreads, the Swiss view is that a cyclical upturn is inevitable, although one cannot be exact about the timing.

This does not mean that the Swiss banks are declining to participate in syndication but that they are disinclined to do so simply to show more business and swell their balance sheet totals. Given this factor and low yields, the Swiss banks are attaching more importance to such things as the quality of the loan and are, of course, keen to preserve relationships with prime clients. Moreover, the strategy is to seek participation in a large number of loans, earmarking smaller amounts.

Regarding their special situation, Swiss bankers say that their costs are higher, although they decline to be specific about their break-even level, citing the many variables that make this a moving target. The higher costs, they say, result from liquidity and capital requirements (under Swiss law) that are the highest among countries whose banks are active in Eurocredits.

Moreover, the Swiss banks will for the first time have to file a consolidated balance sheet that includes their foreign operations with the Swiss banking commission this year. They will not be required to publish it, but bankers are worried about the possibility that this may be a prelude to yet greater capital and liquidity requirements that would raise their costs further.

While all these developments make the syndicated loan market less attractive for Swiss banks, they are under pressure to help the export industry by providing export loans on generous terms. This pressure is the result of the rising Swiss franc, which has put Swiss exporters at a disadvantage in world markets. While the government and the central bank look desperately for ways to put a lid on the franc's rise, they have sought to calm exporters by coaxing banks into offering favorable credit facilities. Moreover, the banks are under social pressure that stems from their being relatively unaffected by the currency upheavals while the position of the export firms become grimmer with every upward move of the franc.



Euromarket

2 U.S. Issues Expected in Europe Seen Boosting Eurodollar Market

By William Ellington

LONDON, Nov. 26 (AP-DJ) — The Eurodollar bond market is not showing any clear trend at the moment, market technicians say. But opinion among underwriters and dealers appears to be turning slowly toward optimism.

This week, or shortly thereafter, the U.S. government is expected to begin a major funding operation in Deutsche marks and Swiss francs. Technically, this will be purely domestic financing on the West German and Swiss capital markets and will not have anything directly to do with the Eurobond market.

However, some analysts believe that the funding will give another psychological boost to the dollar. If so, there could well be some switching from long-term Deutsche mark and Swiss franc bonds to Eurodollar certificates of deposits, floating-rate notes and possibly to high-coupon, fixed-rate Eurodollar bonds, analysts say.

Global Certificates

According to well-placed sources, the U.S. Treasury is hoping to float between 3 billion and 4 billion marks of three- and four-year notes in West Germany. These notes probably will be in the form of global certificates that will be sold directly to commercial banks, with each bank getting a specific quota. This will be similar to the procedure used for placements by the West German government. While no clear indication of the interest rates has emerged, it is doubtful that the United States would get away with less than 5 percent because the West German government recently paid 4.89 percent for two-year notes.

The U.S. notes, incidentally, will not be eligible for resale to nonresidents. For one thing, West German authorities want to insure that the notes absorb some of the domestic liquidity generated by recent large-scale sales of marks by the Bundesbank and by the Federal Reserve Bank in New York to support the dollar. Moreover, U.S. authorities want to avoid the possibility of central banks and other institutions outside West Germany liquidating their dollar holdings to buy the U.S. notes denominated in marks.

Funding Pressures

A similar procedure will be followed in Switzerland, where the United States is expected to sell between 1 billion and 2 billion Swiss francs of three- and four-year notes. The Swiss notes will be subjected to domestic withholding tax so that foreign purchases will be discouraged. However, local institutions such as insurance companies and pension funds would normally be able to reclaim at least part of the taxes withheld.

Analysts say that in both the West German and the Swiss capital markets the funding pressure on the short end of the market may force yields higher and make yields at the longer end seem less attractive. This could encourage a certain amount of liquidation of long-dated Euromark bonds and Swiss franc foreign bonds. And some of the proceeds may be switched back into dollar securities where yields are four to five points higher in comparison with Deutsche mark yields, and five to six points higher in comparison with Swiss franc yields, market sources say.

Underwriters are discussing the possibility of reopening the primary market for fixed-rate Eurodollar bonds, which has been closed since early September.

Optimists say that steady institutional purchases of Eurodollar bonds in the secondary market at yields ranging between 9.20 percent and 9.50 percent should enable underwriters to sell a prime quality, seven-year issue with a 9.25 percent annual coupon.

It is argued that such a rate would be competitive with New York markets, where General Electric Credit Corp. recently paid the annual coupon equivalent of 9.39 percent for a $150 million, six-year issue.

Deterrents to New Activity

However, doubters cite the trend of higher short-term dollar interest rates, uncertainty over the magnitude of next month's oil-price increase by the producers' cartel and the prospects for an acceleration in the U.S. rate of inflation as deter-

(Continued on Page 21)

New York Stock Market

By Vartanig G. Vartan

NEW YORK, Nov. 26 (NYT) — Rising interest rates traditionally have proved a bugaboo for the stock market. But last Friday, with rates climbing on two key fronts, the stock market moved higher. It thus indicated again that the familiar rules for predicting stock prices, at least on a short-term basis, have flown out the window this year.

Friday's modest 3-point rise in the Dow Jones industrial average marked the sixth advance in the last seven trading sessions, a welcome development after October's disastrous slide. Further, for the 23d time in 27 years, the Dow industrials posted a gain in the day following the Thanksgiving holiday.

For the full week, the Dow industrials rose 12.39 points to finish at 810.12 amid light trading. Volume on the New York Stock Exchange for the four-day week totaled 79.8 million shares, compared with the previous week's 124.3 million shares.

What exactly was happening on the interest-rate front? On Friday morning, many of the nation's major banks increased their prime lending rate by a half point to 11.5 percent. This represented the loftiest level in more than four years for the most visible of all rates and is only a bit below the record 12 percent prevailing in the summer of 1974, a period that still chills Wall Streeters and their customers.

Then, within hours, the Federal Reserve served subtle notice to market watchers that it had raised its target for the federal funds rate to at least 9.75 percent. The funds rate is perhaps the least visible, and most critical, of all short-term rates. The reason is simple: this rate usually sets the direction for all other rates when it moves up or down.

How could the stock market shrug off two ostensibly bearish developments that occurred in a single day? Particularly when the bond market dropped so sharply Friday in response to the same double-barreled developments on the rate front.

Analysts said that the prime-rate increase had been widely anticipated and, therefore, already was discounted by the stock market. As for the tightening of the federal funds rate, this was adjudged to mean that the Fed is determined to support the U.S. dollar abroad. And since the trend of the dollar in currency dealings these days is perhaps the most important determinant for short swings in stock prices, it appeared to be the silver lining of what normally would be a very dark cloud over Wall Street.

Commodities

Silver Paces Metals; Grain, Livestock Rise

CHICAGO, Nov. 26 (AP-DJ) — Silver fever in Chicago made the metal the leader in an unbalanced precious-metals market last week. Prices of grain, livestock and other commodity items also rose.

For the first time in five weeks, all the metals futures that are traded on the Chicago and New York exchanges — gold, silver, copper and platinum — scored net price gains for the week.

But the continued buying of silver on the Chicago Board of Trade, usually a secondary silver market to New York's Commodity Exchange, made Chicago the leader and upset the usual price patterns.

Distant Contracts Slump

Prices for nearby-delivery months scored gains for the week, while more distant contracts, both on the Commodity Exchange and on the Board of Trade, went lower — an unusual development, especially in times of high interest rates when storing silver for far-distant delivery is more costly than usual.

One trend-setting trader in the Chicago market reportedly was buying for a commission house whose client is planning to take delivery of a large amount of silver.

Traders, fearing that available supplies might not cover all outstanding contracts for delivery in December, rushed to buy at steadily rising prices, unwilling to be caught in short positions.

So, after two weeks of bizarre price fluctuations, silver gained 3.5 cents an ounce in Chicago for the December delivery. It rose by 10.5 cents an ounce in New York but still closed 2.3 cents an ounce below Chicago's pace-setting $6.128 December contract. Contracts for more distant delivery were lower for the week on both markets.

Gold prices were drawn higher in part by silver, closing $10.40 an ounce higher for December than the previous week, at $210.40, hardly a dazzling finish when compared to the $247 level reached before the Carter administration announced on Nov. 1 its plan for vigorous measures to prop up the dollar.

One of the weapons in the Carter dollar-defense arsenal — expanded gold auctions to deflate ballooning speculation in gold as a dollar hedge — was previewed Thursday with a 750,000-ounce offering by the U.S. Treasury. Response was less than enthusiastic, with bids averaging $199.05 an ounce.

Although the dollar's performance during the holiday-shortened week was mixed, the dollar prices of most major commodities rose on fundamental factors, including reports of growing grain exports, shrinking cattle supplies, strong demand for cotton and potential threats to cocoa production.

Wheat Price Highs

On the Board of Trade, wheat prices reached life-of-contract highs in two of the six trading months, gaining 9 cents to 16½ cents a bushel to close at $3.75 for the December delivery. Soybeans gained 9 cents to 18½ cents and corn prices rose slightly.

Continued news of export demand for U.S. grain joined a slow holiday rate of country grain sales to push prices higher.

"About 10 countries are in the market for wheat . . and we're waiting for more Russian business," an analyst said.

The U.S. Department of Agriculture said Wednesday that China had bought 145,000 more tons of U.S. wheat. Officials also reported last week that during Secretary of Agriculture Bob Bergland's visit this month, Chinese officials indicated that they expect to buy 10 million to 12 million tons of wheat and corn annually for the next few years, about as much as analysts had expected.

In a situation similar to the one in silver, wheat traders said they feared that the wheat available in Chicago warehouses would be inadequate to meet delivery obligations for the December contract, against which delivery can be made between Dec. 1 and Dec. 29.

Attempts in Switzerland by the world's grain-producing and grain-consuming nations to reach an agreement on an international price-stabilization system collapsed last week amid disagreement over prices and the size of world stocks. But the news had little effect on U.S. grain markets.

On the Chicago Mercantile Exchange, which closed Friday to complete a major expansion program, cattle and hog futures rose on light holiday-week marketings and expectations of rising consumer demand.

Cattle futures were 1.3 cents higher for the week to close at 58.1 cents a pound for December, within a fraction of a cent of life-of-contract highs. Hogs rose 0.88 cents to 53.5 cents a pound.

On the New York Cotton Exchange, prices rose by 1.02 cents a pound in heavier-than-expected trading on strong industrial demand, analysts said. On the New York Cocoa Exchange, cocoa prices were 2.65 cents a pound higher, only a fraction of a cent from life-of-contract highs, on the continuing apprehension that heavy rains and unfavorable economic conditions in western Africa will impair production.

On the New York Coffee and Sugar Exchange, coffee prices were higher by 3.5 cents a pound for the week, possibly on some buying by producers in a price-stabilization effort, analysts said. Sugar prices fell.

Lumber futures on the Chicago Mercantile Exchange were $3 lower per 100,000 board feet. The beginning of a seasonal lull in the housing industry, a Thanksgiving-week shutdown by many mills and rising interest rates contributed to the curb in buying of lumber futures.

Interest-rate futures on Chicago markets plunged Friday on the news that many of the United States' major banks have increased their prime lending rate to 11.5 percent.

U.S. Coal Firm Settles Bias Case

WASHINGTON, Nov. 26 (UPI) — The Consolidation Coal Co., the second-largest producer of bituminous coal in the United States, has agreed to pay a total of $370,000 to women who were denied mining jobs in the southern Appalachian region between 1972 and 1976 because of their sex.

The settlement, forestalling a possible lawsuit and the loss of federal contracts, was announced Friday by Undersecretary of the Interior James Joseph.

Mr. Joseph said the firm has agreed to a program aimed at filling more than 20 percent of its miner-trainee positions each year with women, with the ultimate goal of matching in the mines the region's percentage of women in the workforce — 32.8 percent.

Over-Counter Market

NEW YORK (AP)-Weekly Over the Counter stocks giving the high, low, and last bid prices for the week with the net change from the previous week's last bid prices. All quotations supplied by the National Association of Securities Dealers, Inc., are not actual transactions but are representative interdealer prices at which these securities could have been sold. Prices do not include retail markup, markdown or commission. Sales supplied by NASD.

(Continued on Page 18)

(Continued from Page 17)

Sales in 100s		High	Low	Last	Net Ch'ge
ExFu un	1548	9/16	9-32	9/16+3-32	
Exxcel	34	1⅞	1⅞	1⅞	
FairLne	100	6¼	5⅞	6¼+ ½	
FairfLd .12e	36	7½	7	7¼	
FalcMn	5	26¼	24¾	25 —1¼	
Falstaff	79	1¾	1 11-16	1 11-16	
FaradLb	23	2½	2¼	2¼— ¼	
Farinon .08	266	10¼	9½	9¾+ ¼	
FormFd s	224	4¼	4⅛	4¼	

Over-Counter Market

Sales in 100s		High	Low	Last	Net Ch'ge
Jenoa .10e	77	10¼	9¼	9½— ½	
Jerrico .10e	654	14¼	13	14¼+1¼	
Jhirmck s	67	14¼	14	14¼+ ½	
Jhirmk wt	24	8	7½	8 + ⅜	
Jhirmk un	6	22¼	21¼	22 + ¾	
Josephn	165	15	12¾	15 +2¼	
JoslynM 1.20	x50	16½	16	16½+ ¼	
Judy's .09e	11	4½	4¼	4¼— ¼	
Justin .60	106	19¾	19½	19¾+ ¼	
KDI	1192	3-16	2⅛	2⅛—1-16	
KRMPet	38	2¼	2¼	2¼	

Sales in 100s		High	Low	Last	Net Ch'ge
MrldNat .76	104	14½	14¼	14¼	
MauiLP .44	24	27	26½	27 + ½	
Maxon	1	7¼	7	7¼+ ¼	
MayPel	360	5⅛	4⅝	4¾— ⅛	
Mayflwr .60b	10	7⅝	7⅝	7⅝— ⅛	
MaynOil	98	5⅝	5⅜	5⅝	
McCorm .36a	298	13¼	12⅞	12⅞— ¼	
McDowE .22	177	11⅛	9⅞	11⅛+1	
McFarlE .05e	201	3¼	3⅛	3⅛	
McQuay .64	167	12	10¾	12 +1¼	

Sales in 100s		High	Low	Last	Net Ch'ge
PowellInd	65	1⅝	1⅝	1⅝+ ¼	
PowrRes	85	2⅝	2¼	2¼— ⅛	
PrecMet .34e	339	5⅛	4⅞	4⅞	
PrecCst .10i	90	13	11	13 +2	
PfdRisk .40	38	12½	12½	12½	
PresGM 1.43e	293	11⅜	10¾	11 + ¼	
PrsSteyn .75e	432	8½	8	8¼+ ⅛	
PrstSBk .40	0	13½	13¼	13½+ ¼	

Sales in 100s		High	Low	Last	Net Ch'ge
SolrDev	484	9-16	½	½—1-16	
SolrColo	974	11-32	5-16	11-32	
Solaron	253	1 9-16	1½	1½	
SolidSIS	195	5¼	5	5¼+ ¼	
SolidSIT	208	5	4⅞	5 + ⅛	
SolidPh	104	3¼	3	3⅛— ⅛	
Solomon .08	107	5⅝	5¼	5⅝+ ⅜	

Currency Rates

By reading across this table of the November 24, 1978 's closing inter bank foreign exchange rates, one can find the value of the major currencies in the national currencies of each of the following financial centers. These rates do not take into account bank service charges.

	$	£	DM	FF	L.It.	Gldr.	BF com.	SwissF.	Dan.Kr.
Amsterdam	2.088	4.048	108.56 *	47.31 *	0.2458	—	6.899 *	121.145 *	39.17 *
Brussels (c)	30.26	58.70	15.732	6.86	3.5625 *	14.4925	—	17.565	5.6875
Frankfurt	1.926	3.7364	—	43.62 *	2.267 x	92.18 *	6.358 *	111.49 *	36.15 *
London(z)	1.938	—	3.732	8.5475	1,647.00	4.047	58.65	3.3415	10.325
Milan	849.05	1,646.50	441.74	192.43	—	407.24	28.10	493.21	159.65
Paris	4.415	8.5645	229.40 *	—	5.1985 x	211.65 *	14.59 *	256.28 *	82.95 *
Zurich	1.7315	3.3583	89.9131 *	39.2186 *	0.2039	82.87665 *	5.72775 *	—	32.5562 *

The following are Dollar values as quoted on the London foreign exchange market: Danish Krone: 5.32375 ; Escudo: 46.905 ; Israeli £: 19.00 ; Peseta: 71.525 ; Schilling: 14.055 ; Sw.Krona: 4.41325 ; Yen: 194.325 ; Norw. Krone: 4.131 ; Fin Mark: 4.0455 ; Belgian Financial Franc: 30.985 ; Hong Kong $: 4.8335 ; Singapore $: 2.197 ; Canadian $: 84.855 U.S. cents.

(c) Commercial Franc. (*) Units of 100. (x) Units of 1000. (y) Units of 10,000. (z) Amounts needed to buy one pound.

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New York Stock Exchange Weekly Bond Sales

Foreign Bonds

Bonds	Last Price	Bonds	Last Price
Austl 5¼s80n	98½	Germ 5s80	109
Austl 5¼s82O	94	IntSIdE 6s86	78¼
Austla 5½s85	93	JapnD 8½s80	98
Austla 8¾s83	98⅞	JapnD 8¼s81	98
Austla 8¼s81	97	Japan 5½s80	93
Austla 8¾s86	97½	Mexco 6½s79	98½
Austla 9s96	98¾	Mexco 6¼s79	97⅞
Austla 8¼s84	98¼	Mexco 7¼s81	98
Austla 9¼s93	99⅜	Mexco 8¼s97	81
Austrla 9s82	99	Mexco 10s80	100
BanqF 9¼s80	99¼	Mexco 9¾s81	100
Brazil 10s81	98½	NZeal 7½s84	92¾
Brazil 9s82	94½	NipTT 7⅞s81	96
Czec 6s60mI	38	Norwy 8⅞s80	98⅝
ElFro 8⅞s83	97⅛	Nwy 8.85s80	99
EurCS 8¾s79r	98½	Norw 8¼s81M	97
EurCS 8⅝s83	96½	Norwy 8¼s81J	97¼
EurCS 8⅝s83r	96½	Norwy 7⅞s82	94⅞
EurCS 8⅞s80	98¼	Norwy 8¼s83	95¼
EurCS 8¼s84	96⅞	SocNC 9¼s80	99
EurCS 9¼s97	96½	SocNC 8¾s83	97¾
EurInv 9s82	98⅞	SocNC 9s92	98½
EurIn 8¾s92	93¼	Swed 8½s87	95⅞
EurIn 8¾s85	96½	Swed 9¼s98	99
EurIn 9¼s98	98	Venez 8¾s92	94

Bank Stock Quotations

(Closing Prices of the week's trading.)

Baybanks	29½	30¼
Cleveland Trust Co.	32¼	33¼
Detroit Bank Corporation	26	26¾
Fidelcor Inc.	11⅞	12⅝
First Md. Bncp.	19	19¾
First Nat. Cinn.	32¾	33¾
Girard Company	22½	23¼
Ind Val Bank & Trust Phil.	23¾	24¼
Lincoln First Banks	23¼	24
Mellon Nat Bank Pitts.	25	25½
Nat. City Corporation	40¾	41½
New England Merch. Boston	20¼	20¾
Philadelphia Nat. Corp.	28½	29
Pitts Nat. Bank	36½	37¼
Prov. Nat. Corp.	25½	26¼
Secur Pac Corporation	31¾	32⅛
Shawmut Ass. Boston	30½	31½
Sta Str. Bank Boston	21	22
U.S. Trust New York	26	27
Un Va Bankshares	22⅞	23⅜
Virginia Nat Bnksh.	13¼	14

NYSE Averages

Week Ended November 24, 1978

	High	Low	Last	Net Change
Indust.	58.32	57.48	58.32	+1.04
Transp.	42.484	41.60	42.48	+1.26
Utils.	38.42	38.25	38.26	+0.41
Finance	55.58	55.10	55.58	+0.95
Composite	53.44	52.96	53.44	+0.90
Standard & Poor's				
400 Indusl.	106.39	105.50	106.39	+1.51
20 Transp.	13.26	13.08	13.26	+0.22
40 Utils.	49.81	49.49	49.81	+0.77
40 Finance	11.36	11.29	11.36	+0.17
500 Stocks	95.79	95.01	95.79	+1.37
Dow Jones				
30 Indust.	810.12	804.05	810.12	+12.39
20 Transp.	214.60	210.04	214.60	+4.19
15 Utils.	99.46	99.02	99.32	+1.28
65 Comb.	276.44	273.99	276.44	+4.42

Consolidated Trading Of AMEX Listings

Week Ended Nov. 24, 1978

	Sales	High	Low	Last	Chge
Resrt Int A	873,200	32¼	25⅝	31¾	+5¾
Bow Valley	440,900	20½	17⅞	19 15/16	+1½
HouOilM	251,800	18⅛	17¾	17⅝	+½
Amdahl	240,400	49¾	44¾	49½	+5⅛
Loews Th wi	220,400	14¼	13⅛	13⅞	+⅛
Syntex Corp	215,700	34⅛	32¾	34⅛	+1⅜
CoinCmI	162,000	15¼	12⅝	14	—⅛
Instrum Sys	142,800	1¼	1	1¼	+⅛
Gold Nugget	141,300	19½	14⅛	19½	+5½
Nolex Co	115,400	6⅞	3¾	4⅛	—2⅝

Volume: 10,440,000 shares
Year to Date: 908,830,000 shares
Issues traded in: 1,015
Advances: 605 ; declines: 211 ; unchanged: 199
New Highs: 10 ; new lows: 34

Kredietlux Indices

(Base 100 May 1, 1977)

	Nov. 8	Nov. 22
UC 17	135.10	130.98
UC 9	99.26	99.42
DM	102.70	102.45
FF	108.45	108.84
F Lux	102.83	102.92

Rail Workers End Shutdown In Argentina

BUENOS AIRES, Nov. 26 (AP) — An estimated 50,000 railroad workers ended an illegal two-day shutdown of state-owned commuter and other rail lines Thursday after the military government exempted them from its ban on collective bargaining.

An agreement negotiated by the Labor Ministry will allow railroad unions to negotiate a higher wage increase than their members were scheduled to get next month.

Political and labor union activity has been banned since the armed forces seized power in March, 1976. The strikers had defied arrest before the government, which said there would be no reprisals, offered the precedent-setting agreement.

Leaflets issued by the striking conductors, signalmen and ticket-takers said they were earning $166 monthly and demanded $277. They were scheduled to get a 37 percent increase next month, but argued that more was needed to offset inflation.

Dutch to Probe Tenerife Crash

NEW YORK, Nov. 26 (AP) — Authorities in the Netherlands will launch their own probe rather than accept a Spanish government report blaming a KLM Royal Dutch Airlines plane for the crash last year at Tenerife airport in the Canary Islands, it was recently disclosed.

The disclosure was made at a conference called by Judge Robert Ward, of U.S. District Court, in Manhattan last week to discuss remaining damage claims arising from the collision on March 27, 1977, of KLM and Pan American Airways jumbo airliners.

INTERNATIONAL BONDS

(a weekly list of non-dollar-denominated issues)

DM Bonds (average prices)

Arbed 6¾-87	100.00
Asiat Entwickl. Bk.7-85	104.40
Australien 5¾-89	98.90
Brasilien 7¾-84	103.25
Brasilien 6¾-85	99.70
C C C E 7-89	103.75
C N T 7¼-83	103.75
C F P 8½-85	105.25
C F P 6½-84	101.75
C N P 6-87	99.40
Euratom 5¾-87	95.80
E I B 6¾-84	103.50
E I B 6-89	98.60
Eurofima 8-83	109.00
Eurofima 6½-88	102.25
Europarat 7-83	105.00
Europarat 6¼-87	99.50
E W G 7¼-83	106.25
Finnland 7-87	100.50
Forsmarks 5¾-90	95.25
Gen Zentralbk Wien 6-87	99.50
Hydro Ontario 6½-87	101.00
I A D 7-87	102.00
I A D 6¼-88	98.35
I C I 7½-87	104.40
I C I 6¾-87	102.75
Kingd of Denmark 6-88	98.50
Kingd of Denm 5¼-84	98.75
Kobe 6½-87	104.50
Kopenhagen 7½-86	103.70
Montreal 7-87	101.25
Neuseeland 7½-86	103.25
Neuseeland 7-87	104.50
Neuseeland 5¼-86	98.90
Norg Kommunalbk 6-89	98.75
Norpipe 6-89	100.25
Norsea Gas 7-89	102.90
Norsk Hydro 6¾-89	102.50
Oesterreich 6¾-85	103.50
Quebec Provinz 7½-87	105.25
Quebec Hydro 6½-87	102.10
Quebec Hydro 6¼-87	100.15
Sanko Steamship 8½-84	N.A.
Sanko Steamship 7-84	103.80
Schweden 6-89	99.00
Voest 6¾-89	101.40
Weltbank 6¾-87	100.75
Weltbank 8-82	108.50
Weltbank 6½-85	100.50
Weltbank 5¾-90	98.90

Units of Account DM Basis

Comm Urb 8-86	146.50	-
C C A 8-86	146.50	-
Cred Nat 8-86	146.50	-
Denmark 8-86	146.50	-
E.S.B. (Irl) 8¼-86	146.50	-
Escom 8¼-86	145.00	-
Manitoba 7-89	146.50	-
Nancy 8-86	146.50	-
Norges 7¾-86	146.50	-
Reed 6¾-86	145.75	-
S.D.R. 8-86	148.00	-
Apel 9½-85	103.00	104.50
Cofiroute 9-89	101.00	102.50
Cop City7-93	96.50	97.50
Cop City 8¾-86	102.50	104.00
Cop City 9¼-85	102.50	104.00
Cop City 10-79	100.50	102.00
C.C.A. 9¼-85	103.00	104.50
Cop Tel 9½-85	103.50	105.00
Enso 9¼-84	103.50	105.00
Funen Tel 9-84	102.00	103.50
G.I.S. 9⅝-83	101.00	102.50
Helsinki 10-83	105.00	106.50
Iceland 8¼-88	99.50	101.00
Iceland 9¼-86	103.00	104.50
Iceland 10-94	109.00	-
Imatran 8½-87	102.50	104.00
Imatran 9¾-85	104.00	105.50
Ind M Bk 9½-83	102.00	103.50
Ireland 9¼-82	100.50	102.00
Ireland 9¾-84	102.50	104.00
K.L.I. 7¾-93	99.00	100.50
Manitoba 9¼-85	105.00	106.50
Oslo 8⅞-92	99.50	101.00
Oslo 9¼-85	102.00	103.50
Oslo 10-81	103.00	104.50
Pechiney 8¾-89	100.50	102.00
S.D.R. 7-93	97.50	98.50
S.D.R. 9½-87	102.50	104.00
S.D.R. 9¼-85	103.00	104.50
St. Oil Ind. 8-88	100.50	102.00
Swed State 9¼-85	104.50	106.00

Canadian Dollars

Canpac 9¼-83	95⅝	96⅛
Ford 9¼-83	95⅜	95⅞
GMAC 9¼-83	95⅞	96⅜
Hudson Bay 10¼-81	98½	99¼
Manitoba 9¼-85	97	98
Royal Canada 9½-88	94¼	94¾
Roynat 9½-80	98	98½
Texasgulf 10-86	97⅝	98⅛
Toronto Dominion 9-82	96¼	96¾
Union Carbide9¾-86	96⅞	97⅜

European Currency Units

S.Africa 8-86	100.00	101.00
E.N.E.L. 7¼-86	101.25	102.25
Eurofima 7¾-81	100.00	-
Interfriga 7½-86	102.00	103.50

For trading in DM

French Francs

BASF 7½-87	84.75	85.75
CNA 9¾-87	100.50	101.50
CECA 10½-82	100.50	101.50
Charbonnages 10¼-82	101.75	102.75
Cim Lafarge 7½-87	82.25	83.25
Cred Fonc 10¼-82	102.00	103.00
EIB 7¼-88	83.25	84.25
Paribas 10¼-82	101.50	102.50
Peugeot 10-83	100.50	101.50
Quebec Prov 7½-87	82.75	83.75
Rhone-Poulenc 10½-80	100.50	101.50
St. Gobain 10-80	99.75	100.75
World Bank 7¼-87	83.50	84.50

Guilders

ABN 9½-79	100.00	100.75
AMRO 9½-79	100.00	100.75
Arbed 6¼-80	97.00	97.75
BP 6-79	97.50	98.25
Cons Foods 6½-80	98.00	98.75
Eurofima 5¾-79	97.75	98.50
EIB 9½-79	100.00	100.75
Govett 6½-79	97.75	98.50
Holi Inn 6½-79	98.50	99.25
KLM 6-79	98.50	99.25
Ned Gas Un. 9¾-79	100.00	100.75
New Zeland 6¾-79	98.50	99.25
Philips 6-79	97.50	98.25
Sperry 6½-79	99.25	100.00
St. Brands 6½-79	97.25	98.00

Luxembourg Francs

Asian Bank 6¾-87	89.50	91.50
EIB 7086	95.75	96.75
Burmah 7-86	86.50	88.50
Cons Eur 7-87	90.00	92.00
Denmark 6¾-87	90.00	92.00
Gr. Met.Hot. 6¾-87	86.50	88.50
Finland 7-87	90.00	92.00
ISE 6½-87	94.00	96.00
Reed 6¾-87	84.50	86.50
Slater 7¼-87	75.00	-

Chicago Options Table

Option &	price	Vol.	Last	Vol.	Last	Vol.	Last	Close
		— Dec —		— Mar —		— Jun —		N.Y.
Option &	price	Vol.	Last	Vol.	Last	Vol.	Last	Close
Bruns	10	b	b	b	b	35	3⅝	13¼
Bruns	15	b	b	b	b	49	1⅛	13¼
Dow Ch	25	b	b	b	b	3	4	27
Dow Ch	30	b	b	b	b	7	1¼	27
Ford	40	b	b	b	b	23	3⅝	40⅝
Ford p	50	b	b	b	b	3	½	40⅝
Gen El	50	b	b	b	b	7	2¾	49¾
Gen El	55	b	b	b	b	4	1¼	49¾
G M p	50	b	b	b	b	37	2⅝	55
G M	60	b	b	b	b	11	2⅝	55
G M p	60	b	b	b	b	55	7	55
Glf Wn	10	b	b	b	b	1	4¼	13⅝
Glf Wn	15	b	b	b	b	145	1 1-16	13⅝
I T T	30	b	b	b	b	9	1½	28⅝
K mart	25	b	b	b	b	9	2	23⅝
K mart	30	b	b	b	b	2	13-16	23⅝
Kenn C	25	b	b	b	b	8	3	23¼
N C R	60	b	b	b	b	2	6¼	58⅝
N C R	70	b	b	b	b	2	2⅝	58⅝
R C A	25	b	b	b	b	1	3¼	26⅛
R C A	30	b	b	b	b	281	1¼	26⅛
Sears	20	b	b	b	b	47	3½	21¾
Sears	25	b	b	b	b	164	1⅛	21¾
Syntex	30	b	b	b	b	25	7	34
Syntex	35	b	b	b	b	3	4	34
		— Jan —		— Apr —		— Jul —		
Alcoa	40	40	6⅞	a	a	b	b	45⅞
Alcoa	45	32	2⅞	10	4½	a	a	45⅞
Alcoa	50	118	1	14	2¼	37	3½	45⅞
Alcoa	60	a	a	a	a	38	1¼	45⅞
Am Exp	30	5	2⅛	15	3⅜	a	a	31½
Am Tel	60	6	1 15-16	3	2⅞	10	3⅜	60¾
Am Tel	65	29	¼	48	15-16	59	1⅛	60¾
Atl R	45	17	10¾	a	a	b	b	55
Atl R	50	34	6⅛	5	7⅛	a	a	55
Atl R	60	49	¾	18	2⅛	18	3	55
Avon	45	44	8	b	b	b	b	52½
Avon p	45	319	¼	b	b	b	b	52½
Avon	50	260	4½	80	5½	122	6⅞	52½
Avon p	50	889	1 7-16	107	2⅜	32	3⅝	52½
Avon	60	230	5-16	64	1½	21	2⅜	52½
Avon p	60	286	7⅝	147	8	30	8½	52½
BankAm	25	27	1½	8	2¼	a	a	25⅝
BankAm	30	2	1-16	4	⅜	2	15-16	25⅝
Beth S	20	22	1 5-16	36	2⅛	7	2½	20⅛
Beth S	25	42	⅛	39	⅝	20	1	20⅛
Beth S	30	4	1-16	6	¼	b	b	20⅛
Bruns	10	a	a	11	3½	b	b	13¼
Bruns	15	189	7-16	62	⅞	b	b	13¼
Bruns	20	17	1-16	6	5-16	b	b	13¼
Burl N	35	2	5	a	a	2	6½	38⅝
Burl N	40	26	1 3-16	4	2¼	6	3½	38⅝
Burl N	45	7	¼	3	1⅛	7	1¾	38⅝
Burrgh	70	1	4¾	a	a	a	a	71⅛
Burrgh	80	1	1	a	a	a	a	71⅛
Burrgh	90	a	a	1	¾	b	b	71⅛
Citicp	25	46	1⅝	18	2⅛	1	2⅞	25
Citicp	30	66	3-16	30	11-16	20	1⅛	25
Delta	40	39	4⅜	3	6	10	7	43
Delta	45	88	2⅛	6	3½	5	4	43
Delta	50	34	½	21	1¾	5	2⅝	43
Dig Eq	40	12	9¼	a	a	b	b	48⅝
Dig Eq	45	14	5⅛	a	a	a	a	48⅝
Dig Eq	50	30	2⅛	4	4	a	a	48⅝
Disney	35	a	a	5	5⅛	a	a	38¼
Disney	40	33	1½	10	2⅜	a	a	38¼
Disney	45	10	¼	a	a	a	a	38¼
Dow Ch	25	55	2¾	a	a	b	b	27
Dow Ch	30	156	½	47	1¼	b	b	27
du Pnt	110	23	14	a	a	b	b	122
du Pnt	120	34	7	a	a	10	13⅛	122
du Pnt	130	15	2¾	a	a	15	8¼	122
du Pnt	140	20	11-16	5	2⅞	a	a	122
Eas Kd	45	21	15⅛	b	b	b	b	60½
Eas Kd p	45	20	1-16	b	b	b	b	60½
Eas Kd	50	529	10¼	107	11⅛	7	12¼	60½
Eas Kd p	50	913	⅛	262	1⅜	64	2¼	60½
Eas Kd	60	1175	3⅛	143	5¼	41	6¼	60½
Eas Kd p	60	884	3¼	81	4⅜	47	6⅛	60½
Eas Kd	70	523	5-16	229	1⅜	55	2 13-16	60½
Eas Kd p	70	28	10½	a	a	a	a	60½
Exxon	45	12	6	3	6½	a	a	50⅝
Exxon	50	685	2⅛	66	3¼	13	4	50⅝
Exxon	60	a	a	15	7-16	22	⅞	50⅝
F N M	15	50	1¼	32	1⅜	31	1 11-16	16⅝
F N M	20	77	1-16	15	¼	16	⅜	16⅝
Fluor	35	37	1 11-16	15	2⅛	a	a	32⅝
Fluor	40	46	⅜	17	15-16	2	1 7-16	32⅝
Ford	40	20	2 5-16	6	3⅛	b	b	40⅝
Ford	45	13	5-16	18	1⅛	b	b	40⅝
Ford	50	10	1-16	1	¼	b	b	40⅝
Gen El	45	5	4½	a	a	b	b	49¾
Gen El	50	89	1½	51	2⅜	b	b	49¾
Gen El	55	49	⅜	24	⅞	b	b	49¾
Gen El	60	a	a	29	5-16	b	b	49¾
G M	50	25	6⅛	16	7⅛	b	b	55
G M p	50	491	9-16	261	1 15-16	b	b	55
G M	60	210	⅝	32	1 13-16	b	b	55
G M p	60	430	5⅜	91	6⅜	b	b	55
G M	70	15	⅛	26	¼	b	b	55
G M p	70	25	15	15	15⅛	b	b	55
Gt Wst	20	12	6⅛	b	b	b	b	26
Gt Wst	25	4	2⅛	2	3	a	a	26
Gt Wst	30	34	5-16	a	a	2	1½	26
Glf Wn	10	2	3½	8	3⅜	b	b	13⅜
Glf Wn	15	129	5-16	108	¾	b	b	13⅜
Halbtn	60	52	4⅞	20	7½	a	a	63
Halbtn	70	71	1	5	2⅝	a	a	63
Homstk	25	6	6⅛	b	b	b	b	30½
Homstk	30	44	2½	2	4	7	4⅞	30½
Homstk	35	63	⅞	16	1¾	6	3	30½
Homstk	40	65	3-16	34	⅞	10	1 9-16	30½
Hou OM	15	69	3¼	41	4	9	4⅛	17⅝
Hou OM	20	289	¾	116	1⅜	39	2 5-16	17⅝
Hou OM	25	65	⅛	34	11-16	58	1 1-16	17⅝
I N A	40	13	⅜	a	a	10	2⅞	37½
I N A	45	2	1-16	a	a	a	a	37½
I B M	240	239	34¼	60	40	b	b	269⅝
I B M p	240	1868	1 7-16	251	4½	b	b	269⅝
I B M	260	1016	17⅝	223	24⅜	4	30	269⅝
I B M p	260	2218	5	188	9¾	31	12½	269⅝
I B M	280	1814	6⅝	236	13½	57	19¼	269⅝
I B M p	280	763	13⅞	99	17¾	1	21¼	269⅝
I B M	300	887	1½	183	6½	86	10¾	269⅝
I B M p	300	186	30⅜	41	31	14	33¾	269⅝
In Har	30	a	a	a	a	2	5¾	34¾
In Har	35	57	1¾	3	2¾	5	3¾	34¾
In Har	40	1	5-16	13	1	a	a	34¾
In Min	35	a	a	2	2¼	a	a	34⅝
In Min	40	29	⅛	3	7-16	a	a	34⅝
In Pap	40	a	a	2	3	a	a	39¼
In Pap	45	a	a	a	a	5	2 1-16	39¼
In Pap	50	5	1-16	3	½	b	b	39¼
I T T	25	113	3⅝	32	4⅜	b	b	28⅝
I T T	30	156	9-16	108	1¼	b	b	28⅝
I T T	35	21	⅛	28	5-16	b	b	28⅝
John J	80	19	2⅜	a	a	a	a	78½
John J	90	a	a	a	a	19	2⅜	78½
K mart	20	5	4½	a	a	b	b	23⅞
K mart	25	74	⅞	49	1⅜	b	b	23⅞
K mart	30	4	⅛	24	9-16	b	b	23⅞
Kenn C	20	38	4⅛	a	a	b	b	23¼
Kenn C	25	53	1¾	32	2¾	b	b	23¼
Kenn C	30	32	⅜	30	15-16	b	b	23¼
Kerr M	45	10	2½	5	4¼	a	a	45½
Kerr M	50	23	⅞	a	a	a	a	45½
Mc Don	45	10	3⅜	6	5	b	b	46½
Mc Don	50	99	1 11-16	1	2¾	b	b	46½
Mc Don	60	13	⅛	a	a	b	b	46½
Merck	60	41	2¾	18	4¾	2	6	59
Merck	70	6	⅜	24	1⅜	b	b	59
Merril	15	a	a	12	3½	a	a	16⅞
Merril	20	69	½	17	1 5-16	a	a	16⅞
Merril	25	11	1-16	1	5-16	b	b	16⅞
M M M	50	41	12⅜	a	a	9	12¾	61⅝
M M M	60	80	3⅜	32	5	24	6⅛	61⅝
M M M	70	20	5-16	79	1⅜	a	a	61⅝
Monsan	50	3	2¾	a	a	1	4⅞	50
Monsan	60	35	7-16	2	1 3-16	a	a	50
N C R	50	6	10¼	5	12	b	b	58⅞
N C R	60	223	3½	13	5½	b	b	58⅞
N C R	70	45	7-16	23	1¾	b	b	58⅞
Nw Air	20	2	7¼	b	b	b	b	27⅝
Nw Air	25	69	3⅛	a	a	3	4⅛	27⅝
Nw Air	30	86	11-16	7	1⅜	3	2⅜	27⅝
Pennz	30	56	15-16	a	a	a	a	28⅝
Pennz	35	a	a	23	⅜	a	a	28⅝
Pepsi	25	8	1¾	5	2⅜	3	3¼	26½
Pepsi	30	11	¼	10	⅞	a	a	26½
Pepsi	35	2	1-16	a	a	b	b	26½
Polar	30	439	18½	b	b	b	b	48⅛
Polar	35	492	14¼	b	b	b	b	48⅛
Polar	40	124	10	15	11¼	1	12¼	48⅛
Polar	45	439	5⅞	80	8	14	9	48⅛
Polar	50	984	3	129	5⅜	54	6¾	48⅛
Polar	60	238	7-16	138	1⅜	194	2 13-16	48⅛
R C A	25	88	2	71	2⅞	b	b	26⅛
R C A	30	102	⅜	16	⅞	b	b	26⅛
R C A	35	8	1-16	a	a	b	b	26⅛
Sears	20	282	2⅜	161	2⅞	b	b	21¾
Sears	25	1215	5-16	529	⅞	b	b	21¾
Sears	30	337	1-16	b	b	b	b	21¾
Sperry	40	5	2¾	a	a	a	a	41⅞
Sperry	45	20	13-16	a	a	a	a	41⅞
Sperry	50	1	⅛	a	a	a	a	41⅞
Squibb	30	2	1⅜	2	2½	4	3½	28⅝
StorTec	20	88	7⅝	50	8⅜	1	9⅞	27
StorTec	25	313	3¾	15	5⅜	11	6½	27
StorTec	30	510	1⅜	67	2 13-16	32	3¾	27
StorTec	35	23	⅛	37	1¼	7	2⅜	27
Syntex	25	152	9½	21	9⅝	b	b	34
Syntex	30	278	5¼	69	5⅞	b	b	34
Syntex	35	565	2⅛	117	3⅜	b	b	34
Tandy	20	25	6⅛	10	7	a	a	25⅛
Tandy	22½	2	4¼	b	b	b	b	25⅛
Tandy	25	15	2½	5	2⅞	1	3¾	25⅛
Tandy	30	165	⅝	3	1⅞	a	a	25⅛
Tandy	35	1	⅛	1	13-16	b	b	25⅛
Teldy o	63⅞	6	31	b	b	b	b	94
Teldy o	72¾	5	21½	b	b	b	b	94
Teldy o	81⅞	581	15⅝	b	b	b	b	94
Teldyn	80	1011	16⅝	184	20⅛	8	22¾	94
Teldyn	90	382	9	40	14¼	15	16	94
Teldyn	100	463	4¼	139	9¼	27	12	94
Teldyn	110	178	1½	107	5	292	8⅛	94
Teldyn	120	120	⅜	261	2⅝	b	b	94
Tex In	70	36	12½	a	a	a	a	80⅝
Tex In	80	12	4	a	a	a	a	80⅝
Tex In	90	21	1 11-16	25	3	a	a	80⅝
Upjohn	40	4	7	b	b	b	b	46¾
Upjohn	45	5	3¼	11	4⅜	a	a	46¾
Upjohn	50	32	1 7-16	18	2⅜	a	a	46¾
Xerox	45	91	9½	a	a	a	a	54
Xerox	50	413	5⅝	58	7¼	37	8⅛	54
Xerox	60	445	¾	88	2 1-16	53	3⅛	54
		— Feb —		— May —		— Aug —		
A E P	20	1	2	a	a	a	a	21¾
A E P	25	a	a	4	3-16	70	¼	21¾

Option &	price	Vol.	Last	Vol.	Last	Vol.	Last
Am Hos	25	a	a	9	3⅝	6	3⅜
Am Hos	30	105	½	1	1⅛	4	1 11-16
Am Hos	35	4	1-16	10	½	b	b
A M P	30	a	a	4	5⅜	a	a
Bally	25	173	17¼	b	b	b	b
Bally	30	343	12½	37	12⅝	a	a
Bally	35	474	8⅛	35	10⅛	13	11⅛
Bally	40	1057	5½	165	7⅜	45	8⅜
Bally	45	1335	3⅜	328	5⅛	b	b
Bally	50	848	1 13-16	536	3⅜	b	b
Bally	60	271	9-16	543	1⅜	b	b
Bally	70	177	3-16	167	⅜	b	b
Baxter	40	a	a	20	4	a	a
Baxter	45	11	⅜	a	a	a	a
Blk Dk	15	10	2⅜	13	3	a	a
Blk Dk	20	34	⅜	18	¾	21	1⅛
Boeing	45	20	19¾	b	b	b	b
Boeing	50	578	16	75	17⅜	a	a
Boeing	60	1673	8	243	10⅜	4	12⅛
Boeing	70	1665	3¼	368	5½	40	7⅛
Boeing	80	248	13-16	532	2 11-16	b	b
Bois C	25	22	1 13-16	1	2⅜	a	a
Bois C	30	2	5-16	15	1	a	a
C B S	50	5	3¾	1	5¼	a	a
C B S	60	18	⅝	6	1 15-16	a	a
Coke	40	8	2 7-16	a	a	a	a
Coke	45	25	⅜	2	1⅛	a	a
Colgat	20	41	¼	52	9-16	a	a
Colgat	25	1	1-16	2	⅛	b	b
Cmw Ed	30	10	1-16	40	3-16	21	¼
C Data	25	2	9¼	a	a	a	a
C Data	30	317	5½	1	6⅛	a	a
C Data	35	560	2½	59	4	6	4⅝
C Data	40	211	⅞	72	2	b	b
C Data	45	38	¼	15	¾	b	b
Gn Dyn	50	1	22⅝	b	b	b	b
Gn Dyn	60	91	14⅜	a	a	45	17¼
Gn Dyn	70	358	8½	12	11	2	12
Gn Dyn	80	538	3½	82	5⅜	14	7⅛
Gn Dyn	90	70	13-16	198	2⅛	b	b
Gen Fd	35	a	a	2	¾	a	a
Hewlet	70	27	14¼	a	a	a	a
Hewlet	80	12	6¼	6	8⅜	a	a
Hewlet	90	30	1¾	38	4	a	a
H Inns	15	230	4¼	34	5⅛	7	5⅜
H Inns	20	962	1⅛	370	2 5-16	136	2⅞
H Inns	25	141	½	250	1	b	b
H Inns	30	10	3-16	42	7-16	b	b
H Inns	35	56	1-16	20	¼	b	b
Honwll	50	41	16	a	a	8	17⅜
Honwll p	50	931	7-16	147	1 5-16	52	2
Honwll	60	426	7¾	30	9⅜	3	10⅞
Honwll p	60	1135	2⅜	171	3¾	61	5⅛
Honwll	70	384	2 5-16	34	4⅛	9	5⅜
Honwll p	70	557	6⅞	103	8½	a	a
Honwll	80	10	⅜	12	1½	b	b
Honwll p	80	a	a	1	16	b	b
In Flv	25	6	9-16	a	a	8	1 15-16
In Flv	30	1	⅛	a	a	b	b
J Manv	25	2	1 11-16	a	a	1	1⅞
J Manv	30	5	1-16	a	a	a	a
J Manv	35	2	1-16	1	3-16	b	b
MGIC	20	15	1⅜	a	a	a	a
MGIC	25	a	a	10	1	b	b
Mobil	65	14	4½	a	a	a	a
Mobil	70	30	1¾	4	3⅜	1	3⅜
N Semi	15	13	7	1	7½	2	8
N Semi	20	135	3¼	17	4⅛	1	4⅝
N Semi	25	447	1 3-16	92	2⅜	42	2⅞
N Semi	30	57	5-16	31	15-16	b	b
Occi	15	152	2¼	90	2 15-16	60	3⅜
Occi	20	468	⅜	334	¾	47	1⅛
Occi	25	106	1-16	13	3-16	b	b
Raythn	45	13	4½	1	5¼	a	a
Raythn	50	76	2 3-16	1	3⅛	a	a
Raythn	60	15	½	a	a	b	b
Rynlds	70	2	⅛	a	a	b	b
Slumb	70	2	20	b	b	b	b
Slumb	80	20	11⅜	a	a	a	a
Slumb	90	42	5	28	7⅛	a	a
Slumb	100	46	1½	11	3½	a	a
Skylin	10	25	1¼	27	1⅞	2	2⅛
Skylin	15	31	3-16	12	⅜	13	⅝
Skylin	20	16	1-16	b	b	b	b
Southn	10	1	4¼	a	a	a	a
Southn	15	5	¼	11	½	3	11-16
St Ind	45	19	9⅜	a	a	b	b
St Ind	50	29	5⅛	14	6⅛	a	a
St Ind	60	a	a	a	a	17	1 9-16
Tx Glf	20	19	1 5-16	a	a	a	a
Tx Glf	25	5	5-16	a	a	a	a
U A L	25	100	6⅞	a	a	8	8⅜
U A L	30	521	3¾	120	4⅞	3	5¼
U A L	35	835	1 9-16	198	2¾	76	3⅜
U A L	40	201	½	133	1¼	b	b
U A L	45	174	3-16	16	½	b	b
U Tech	35	28	4	5	5⅜	a	a
U Tech	40	133	1½	102	2½	a	a
U Tech	45	5	½	5	1⅛	b	b
U Tech	50	a	a	1	⅜	b	b
J Walt	25	a	a	18	4½	a	a
J Walt	30	17	⅝	15	1⅞	a	a
J Walt	35	a	a	4	¼	b	b
Willms	15	81	1½	5	2	18	2½
Willms	20	31	3-16	132	½	6	⅞
Willms	25	12	1-16	a	a	b	b

Total volume 69,496 Open Interest 1,865[illegible]
a—Not traded. b—No option offered. p—Put.
Sales in 100s. Last is premium (purchase price).

...arty to Get Finder's Fee

...Republicans, N.Y. Bank ...To Promote Credit Cards

By Adam Clymer

...WASHINGTON, Nov. 26 (NYT) — Manufacturers Hanover Trust ... of New York and the Republi...n National Committee will begin ...ntly promoting credit cards next ...ar, with the Republicans getting ...inder's fee of $2.50 for every new ...sa card issued.

A spokesman for the bank said ... mailing, probably to about ...0,000 credit-worthy registered ...epublicans in New York state, is ..."very standard arrangement." He ...id the party would be getting the ...andard fee that other promoters, ...ch as department stores, receive.

Robert Perkins, the outgoing ...nance director of the Republican ...ational Committeee, said the par... considers the New York mailing ... phase one and hopes to extend ...e offer elsewhere. He said he ...oped the cards would facilitate ...arty contributions by credit cards, ...method already in use.

The card will say, "This card ...ponsored exclusively by the Re...publican Party." It will have the ...arty and bank labels on the back.

The party will match lists of New ...ork state's 2,694,656 registered ...epublicans against credit lists. ...Mr. Perkins said he estimated that ...00,000 credit-worthy Republicans ...ould be selected.

Letter From Brock

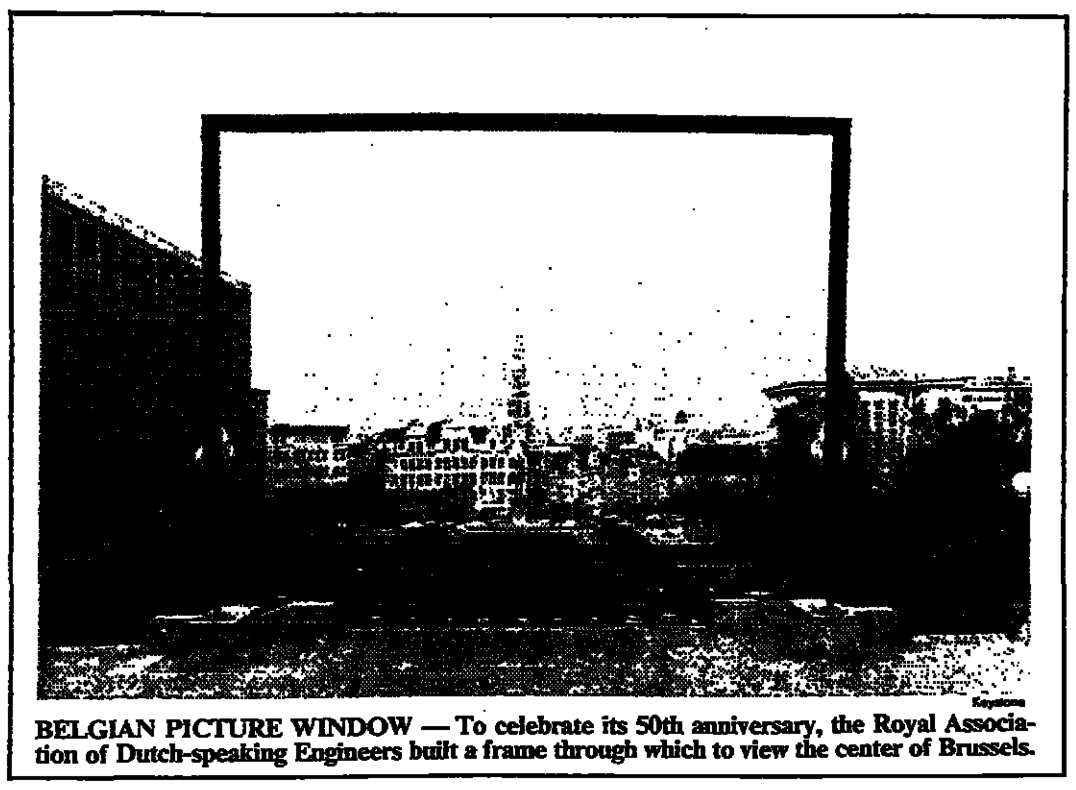
They will receive a letter signed ...y Bill Brock, the Republican na...onal chairman, saying that ...hrough a special arrangement with ...Manufacturers Hanover they are ...eing offered a card with a $1,000 ...ne of credit. The card can be used ...t 20,000 or more locations, the let...er will say, and, by getting one on ...is offer, they can also help the ...arty.

The bank spokesman noted that ...ther nonprofit firms, such as the ...American Automobile Association, ...re looking into promoting bank ...redit cards with their members. ...ome large commercial firms like ...ar rental agencies are also consid...ring similar arrangements.

The Democratic National Com...mittee had no comment on the ...plan, but Mark Shields, a Demo...cratic political consultant, said, "We're finally seeing conclusive ...proof of the plastic nature of the Republican Party. They've come up with more and more plastic candidates, so it's logical they would take the next step and go into credit cards."

A spokesman for the Federal Election Commission said there had been no request for an advisory opinion on the legality of the procedure. But, if the Republicans were providing a service to the bank, she said, the finder's fees would not be an improper contribution by the bank.

Mr. Perkins said the plan had advantages for both sides. The party would get finder's fees, and perhaps it would be easier to get contributions from holders of the new Republican Visa card. And the bank, he said, would be getting "a whole new way to market their cards."



Keystone

BELGIAN PICTURE WINDOW — To celebrate its 50th anniversary, the Royal Association of Dutch-speaking Engineers built a frame through which to view the center of Brussels.

Euromarket

(Continued from Page 17)

rents for a resumption of new issue activity.

On Friday, Citibank, Morgan Guaranty Trust Co. and several other major U.S. banks, raised their prime lending rates by a half point to 11.5 percent, instead of by the usual quarter-point step.

While this development should put further pressure to lower bond prices, it could also give further upward impetus to the dollar. Hence, the increase in interest rates may encourage nondollar-based investors to buy dollar bonds because currency appreciation could more than offset any losses on the price.

Although the special drawing right has been dropping almost steadily against the dollar for several weeks, the first Eurobond issue to be denominated in SDRs in three years received a surprisingly good reception this week. The 25 million SDR, seven-year note issue of the Swedish Investment Bank was priced at par bearing 9 percent. Total subscription demand was put at 43 million SDRs. In after-market trading Friday, the issue was quoted at 99-99.5.

Syndicate sources said that there was considerable demand for the issue by central banks, which, as a matter of policy, are continuing to diversify their reserves out of the dollar.

While subscription, interest and principal payments for the Swedish Investment Bank's issue are in dollars at the prevailing rate for the SDR, quotations for the issue are in SDRs. Recently, the exchange rate for the SDR, as published by the International Monetary Fund, was $1.27376, making the issue equivalent to about $31.8 million.

In the Deutsche mark sector, a 400 million mark, 10-year issue of the World Bank received a lackluster reception last week. Priced at 99.5 bearing 6.25 percent to yield 6.32 percent at maturity, the issue was trading in the after-market at around 98.

Meanwhile, a syndicate led by Westdeutsche Landesbank scheduled a 150 million mark, 12-year issue of Occidental International Finance Nv. for an offering with an indicated 6.5 percent coupon. Guaranteed by Occidental Petroleum Corp., the issue provides a sinking fund starting in 1985 that will reduce the average life of the amount outstanding to 9.5 years. The issue was said to be selling slowly.

Also in the market is a 150 million mark, 10-year convertible issue for Sharp Corp. Although Sharp is a household name, the offering was said to have received a somewhat cool reception because its size is much larger than normal.

The Japanese consumer electronics company is paying 3.5 percent semiannually. Noteholders will have the right to convert their notes into the Tokyo-listed shares starting Feb. 15 at what is expected to be about a 7 percent to 8 percent premium above the price of the stock at the time of the offering.

Commerzbank, meanwhile, is arranging a private placement of convertible notes of Tokyo Electric Co. The utility is expected to pay 3.5 percent semiannually on its 40 million mark, six-year notes.

In Tokyo, the Ministry of Finance approved floating 38 international issues by Japanese companies during the first quarter of next year for a total of about $1.16 billion. This is up sharply from 27 issues totaling $789 million in this quarter.

Included in authorizations for first quarter are 22 convertible issues denominated in Swiss francs and 13 convertible issues denominated in Deutsche marks.

Japanese bankers said that the main reason for the continuing deluge of Japanese convertible issues is that the interest costs are low. The coupon rate for such issues in Swiss francs is 2.875 percent; for Deutsche marks, 3.5 percent.

In the burgeoning French franc Euromarket, a 150 million franc, 10-year issue of Societe Nationale Elf-Aquitaine bearing 9.75 percent was said to be selling well. The French state oil company's offering is managed by Banque Nationale de Paris.

Eurobond Yields*

Week Ended Nov. 22
(U.S. Dollars)

International institutions	9.22 %
Industrials, long term	9.53 %
Industrials, medium term	9.59 %
Canadian dollars, medium term	10.46 %
French franc, long term	10.40 %
Unit of acc., long term	8.11 %

* Calculated by Luxembourg Stock Exchange

Market Turnover

Week Ended Nov. 24
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	726.50	523.10	203.40
Eurocl.	1.371.6	1.075	296.60

Braced to Force Union Concessions

2 U.K. Papers Near Shutdown Deadline

William Tuohy

LONDON, Nov. 26 — Two of Britain's most prestigious papers, the Times of London and the Sunday Times, are approaching a self-imposed deadline to cease publication next week unless their unions agree to new contracts.

The labor issue is so complex and far-reaching, however, that many analysts here believe that it will be impossible for management and the unions to reach agreement by the Thursday deadline.

When the deadline arrives, it will be up to Times Newspapers Ltd. management to determine whether to extend negotiations or halt publication until a settlement is reached.

The other papers on Fleet Street will be watching the battle, which may determine the economic health of Britain's national press in the years to come.

New Era Is Hoped

The most optimistic observers believe that a satisfactory solution to the struggle may turn around the fractious labor-management relations on Fleet Street, which are among the worst in British industry.

The current crisis began April 27 when the management of the papers announced that it was submitting a list of proposals to all its unions that would more or less revolutionize working agreements. The Times also said that the proposals would have to be accepted by Nov. 30.

M.J. Hussey, the chief executive officer of the two papers, told union leaders that he wanted new wage structures, no wildcat strikes, new procedures to settle labor disputes, new manning levels and an agreement to introduce computer typesetting equipment.

The Times also wanted to reduce the number of union branches that it must deal with. Currently, it must negotiate 69 agreements with 54 bargaining units at the paper.

Pay Increase Offered

Ultimately, the Times wants to reduce its 4,300 employees by about 1,000. It is generally considered that the newspaper industry on Fleet Street is overmanned by about 35 percent.

In turn, the management said that it was prepared to provide what it called generous pay increases and many fringe benefits. Further, staff reductions would come through retirement and turnover rather than dismissal.

Over the years, the Times has been plagued by unofficial union disputes. This year, the Times newspapers have lost an estimated 12 million copies and $5 million in pretax profits to wildcat strikes.

Dugal Nisbet-Smith, general manager of the papers, said: "We seem to be in the business not of producing newspapers, but of employing people."

The daily Times — with a circulation of 292,652 — has always struggled to make a profit. In most years it has lost money, but it was making money this year before a succession of wildcat strikes.

The Times of London was purchased in 1966 by the Canadian millionaire, Lord Thomson, who injected $40 million into the paper by last year.

The Sunday Times — with a circulation of 1,392,230 — has been a consistent money-maker when not hampered by wildcat strikes.

After Lord Thomson died two years ago, his son Kenneth took over, and was less indulgent toward the daily paper's losses. He and the management were determined to bring more coherent labor methods to their papers.

Mr. Nisbet-Smith said, "About 90 percent of management time is spent dealing with disputes. As a result, we have almost no time left for managing the business and laying plans for future expansion."

Management did not quickly follow up its initial statement with detailed proposals. Most of the summer was wasted, from the union's point of view. Only in the last few months has management delivered its proposals, which in many cases are enormously detailed and often cut across traditional union lines. And these proposals usually were given to the union leaders at the national level — without consulting the local units on the papers.

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Times Warns Readers

LONDON, Nov. 26 (UPI) — The Sunday Times said that today's issue may be its last for a long while.

"We hope that we will be with our readers next week," the paper said in a front-page story. "But a suspension of publication may take place on Thursday."

Peace Corps Head Resigns in Policy Dispute

WASHINGTON, Nov. 26 (UPI) — President Carter has announced the resignation of the only woman and only black to head the Peace Corps, Dr. Carolyn Payton, because of "unresolvable policy differences" with the head of Action, the umbrella organization that administers her agency and other volunteer-service programs.

Dr. Payton, in a letter to Mr. Carter released Friday by the White House, said, "The issue between the director of Action and me is an issue of substance about the Peace Corps and not one of my sex, color or age."

The director of Action is former anti-war activist Sam Brown.

Neither Mr. Carter, Dr. Payton nor Mr. Brown made clear the details of dissension over the Peace Corps' future, although Mr. Brown has advocated a smaller but better-trained field force for the agency.

Action Is Urged On U.K. Fishing

LONDON, Nov. 26 (AP) — A member of Parliament called on the government yesterday to threaten to use of Royal Navy ships to protect Britain's fishing rights.

Tom Torney, chairman of the ruling Labor Party's food and agricultural committee, made his call after Common Market fishery talks in Brussels ended in disarray Friday with the West German minister, Josef Ertl, reportedly calling the British representative, John Silkin, a "fischkopf" [fish head].

The dispute was over Britain's demand for preferential access to the fishing waters around its coast. Mr. Torney said he would seek a meeting with Mr. Silkin, the fisheries minister, to suggest that the government threaten to deploy the Royal Navy.

American Exchange Options

Option &	price	Vol.	Last	Vol.	Last	Vol.	Last	Close
		— Dec —		— Mar —		— Jun —		N.Y.
Option &	price	Vol.	Last	Vol.	Last	Vol.	Last	Close
...sarco	15	b	b	b	b	10	1⅝	13¾
...eat F	25	b	b	b	b	5	⅞	23¾
...hase	30	b	b	b	b	47	2¾	30⅝
...oastal	15	61	2	26	3	10	3¾	16¾
...oastal	20	8	3-16	56	¾	12	1⅛	16¾
... Tel	30	b	b	b	b	66	1⅛	28¾
...illet	25	b	b	b	b	3	2⅛	24⅝
...ercul	15	b	b	b	b	10	2⅜	15⅝
		— Jan —		— Apr —		— Jul —		
Aetna	35	6	4	1	4⅝	a	a	38⅝
Aetna p	35	36	9-16	52	1¼	13	1¾	38⅝
Aetna	40	112	⅞	116	1⅞	a	a	38⅝
Aetna p	40	75	27-16	16	3	3	3½	38⅝
Aetna	45	5	⅛	2	⅝	a	a	38⅝
Aetna p	45	3	6½	a	a	5	7⅝	38⅝
Am Cya	25	3	1⅛	a	a	a	a	25⅝
Am Cya	30	a	a	10	5-16	a	a	25⅝
Am Exp	30	11	2¼	10	3¼	10	4	31½
Am Exp	35	23	⅜	20	1⅛	a	a	31½
Am Hom	25	13	3⅝	21	4	a	a	28⅝
Am Hom	30	26	7-16	27	13-16	25	19-16	28⅝
Asarco	15	60	⅝	54	1⅜	b	b	13¾
Asarco	20	a	a	4	¼	b	b	13¾
Beat F	25	22	⅜	16	¾	b	b	23¾
Beat F	30	47	1-16	a	a	b	b	23¾
Burrgh	60	63	12⅜	a	a	a	a	71⅛
Burrgh	70	118	4½	30	7⅝	a	a	71⅛
Burrgh	80	58	1⅛	12	2¾	19	4	71⅛
Chase	30	53	1⅞	47	2½	b	b	30⅝
Chase	35	11	⅛	6	11-16	b	b	30⅝
C Tel	15	a	a	14	⅜	a	a	14¾
Deere	25	12	8	b	b	b	b	32¾
Deere	30	25	3¼	a	a	b	b	32¾
Deere	35	20	7-16	a	a	b	b	32¾
Dig Eq	40	141	9¼	a	a	b	b	48⅝
Dig Eq	45	172	5⅛	2	6⅜	16	8	48⅝
Dig Eq	50	287	2⅛	29	4	11	5⅜	48⅝
Disney	35	71	4¼	7	5¼	a	a	38¼
Disney	40	134	1½	48	2⅜	a	a	38¼
Disney	45	10	⅜	50	1⅛	13	2	38¼
du Pnt	110	65	14¼	a	a	b	b	122
du Pnt	120	195	6⅞	10	10⅜	4	13¼	122
du Pnt	130	244	29-16	10	6⅛	1	8¼	122
du Pnt	140	140	⅜	6	2⅜	a	a	122
Fst Ch	20	a	a	a	a	6	⅜	15⅛
G Tel	30	15	⅜	78	⅞	b	b	28⅜
Gillet	25	48	1½	3	1⅜	b	b	24⅝
Goodyr	20	4	1-16	10	¼	1	7-16	16¼
Greyhd	10	10	2¼	6	2½	18	2½	12¼
Greyhd	15	83	1-16	33	3-16	64	5-16	12¼
Gulf O	20	12	5⅜	a	a	a	a	25¼
Gulf O	25	694	1⅛	62	1⅜	44	2¼	25¼
Gulf O	30	8	1-16	6	⅜	45	½	25¼
Hercul	10	5	5½	a	a	b	b	15⅝
Hercul	15	7	1¼	100	1 15-16	b	b	15⅝
Hercul	20	5	⅛	a	a	b	b	15⅝
H F C	20	1	3-16	12	7-16	3	13-16	17⅞
Lilly	40	43	4½	a	a	a	a	44
Lilly	45	21	1 9-16	18	2 9-16	a	a	44
Lilly	50	a	a	a	a	13	1 13-16	44
Merril	15	85	2⅜	61	3½	14	3¾	16⅝
Merril	20	372	⅛	141	1¼	15	1⅞	16⅝
Merril	25	24	1-16	12	⅜	b	b	16⅝
MesaPt	25	1	6¼	5	7	a	a	30⅝
MesaPt p	25	18	⅜	13	¾	25	15-16	30⅝
MesaPt	30	42	2½	13	3⅝	5	4⅛	30⅝
MesaPt p	30	115	1 5-16	35	2⅛	48	2¾	30⅝
MesaPt	35	57	⅝	82	1¾	18	2½	30⅞
MesaPt p	35	7	4⅛	16	4½	2	5⅛	30⅝
MesaPt	40	11	⅛	a	a	a	a	30⅝
Motrla	40	8	2⅞	a	a	a	a	40⅝
Motrla	45	34	¾	a	a	10	2⅞	40⅝
Pfizer	30	a	a	2	4⅛	b	b	33⅛
Pfizer	35	8	⅞	55	1⅝	b	b	33⅛
Pfizer	40	20	1-16	a	a	b	b	33⅛
Phelps	20	a	a	10	2⅜	21	3⅛	21
Phelps	25	29	5-16	5	1	10	1⅛	21
Phelps	30	b	b	b	b	1	9-16	21
Ph Mor	70	13	3	a	a	b	b	70½
Ph Mor	80	1	⅜	a	a	b	b	70½
Pitney	25	5	9-16	6	1⅛	a	a	23⅛
Pitney	30	3	1-16	a	a	a	a	23⅛
Proc G	70	36	16¼	b	b	b	b	85⅝
Proc G	80	68	7⅞	a	a	a	a	85⅝
Proc G	90	5	1⅛	20	2¾	2	4⅛	85⅝
Proc G	100	a	a	7	⅝	b	b	85⅝
Rite A	20	3	1⅛	75	2¼	a	a	20⅛
Rite A	25	a	a	10	½	2	1⅛	20⅛
St Cal	40	10	6¾	a	a	b	b	46½
St Cal	45	98	3	20	3½	b	b	46½
St Cal	50	50	½	16	1¼	b	b	46½
T R W	40	7	½	3	11-16	a	a	36¾
Tandy	20	234	6¼	57	7	26	7¾	25⅛
Tandy	22½	88	4⅛	b	b	b	b	25⅛
Tandy	25	632	2 7-16	87	3⅞	23	4¾	25⅛
Tandy	30	494	11-16	207	1¾	39	2 7-16	25⅛
Tandy	35	145	3-16	59	⅜	b	b	25⅛
Texaco	20	63	4⅞	13	5	1	5½	24⅞
Texaco	25	746	⅜	268	1⅛	153	1 13-16	24⅞
Texaco	30	8	1-16	62	¼	b	b	24⅞
U Carb	35	40	1 15-16	60	2 13-16	2	3⅛	35½
U Carb	40	42	¼	18	⅞	23	1 7-16	35½
U Carb	45	13	1-16	9	5-16	b	b	35½
U S St	20	7	3⅛	a	a	a	a	22¾
U S St	25	51	⅜	29	1 1-16	5	1 11-16	22¾
U S St	30	13	1-16	a	a	4	7-16	22¾
Wrn Lm	30	3	1-16	a	a	2	11-16	24⅝
Westng	15	10	2⅜	30	3¼	88	3⅜	17¼
Westng p	15	240	¼	27	⅝	95	⅞	17¼
Westng	20	81	5-16	79	13-16	86	13-16	17¼
Westng p	20	127	2⅞	46	2⅞	12	3⅛	17¼
Westng	25	28	1-16	14	3-16	22	7-16	17¼
Westng p	25	a	a	a	a	5	7⅝	17¼
		— Feb —		— May —		— Aug —		
A M F	15	9	2⅛	13	2⅜	2	3	16⅝
A M F	20	115	⅜	177	11-16	32	1	16⅝
A S A	20	34	4⅝	a	a	1	6	23½
A S A p	20	74	½	29	⅞	39	1	23½
A S A	25	252	1⅞	85	2 13-16	34	3⅛	23½
A S A p	25	53	2 3-16	8	2⅝	a	a	23½
A S A	30	192	9-16	44	1 5-16	b	b	23½
A S A p	30	46	6½	a	a	b	b	23½
Avnet	15	8	1⅜	a	a	5	2⅝	15⅞
Avnet	20	16	¼	9	⅝	5	⅞	15⅝
Avnet	25	5	1-16	a	a	b	b	15⅝
Bally	25	98	16½	b	b	b	b	41⅝
Bally	30	476	12⅜	90	13¼	8	13	41⅝
Bally	35	1493	8½	447	10⅝	83	11	41⅝
Bally	40	4290	5½	744	7¾	535	9	41⅝
Bally	45	2596	3⅜	871	5⅝	b	b	41⅝
Bally	50	2134	1⅞	1277	3⅞	b	b	41⅝
Bally	60	325	9-16	832	1½	b	b	41⅝
Bally	70	166	3-16	293	⅜	b	b	41⅝
Caterp	50	10	7¾	a	a	a	a	56⅝
Caterp	55	1	3⅜	a	a	a	a	56⅝
Caterp	60	10	1¼	27	2¾	a	a	56⅝
Caterp	70	1	¼	a	a	b	b	56⅝
Con Ed	20	7	2⅞	a	a	1	3⅛	22½
Con Ed	25	30	⅛	16	¼	27	7-16	22½
Dr Pep	10	a	a	a	a	1	5⅜	15⅛
Dr Pep	15	16	1 3-16	1	1⅜	10	2⅛	15⅛
Dr Pep	20	26	¼	4	9-16	a	a	15⅛
El Pas	15	21	1 5-16	13	1⅛	54	2	15¾
El Pas	20	11	1-16	10	5-16	78	⅜	15¾
Fleetw	10	32	1 9-16	a	a	5	2 7-16	10⅝
Fleetw	15	17	⅛	31	7-16	a	a	10⅝
Grace	25	19	2⅛	a	a	a	a	26⅞
Grace	30	79	⅜	47	¾	41	1	26⅞
Grace	35	74	1-16	a	a	b	b	26⅞
La Pac	20	13	15-16	71	1¾	5	2⅛	19¼
La Pac	25	11	⅛	5	⅜	b	b	19¼
MGIC	20	17	1⅛	14	2½	1	3⅛	20¼
N Dist	20	5	5-16	4	⅝	5	13-16	18⅝
N Dist	25	6	1-16	28	⅛	b	b	18⅝
N Semi	15	1	6⅞	a	a	1	8⅛	21
N Semi	20	120	3⅛	5	4¼	13	4⅞	21
N Semi	25	154	1⅛	55	2 3-16	109	2¾	21
N Semi	30	56	5-16	10	⅞	b	b	21
N Semi	35	2	⅛	20	7-16	b	b	21
NortS p	19½	10	⅜	a	a	b	b	17½
Nort S	15	a	a	20	3	a	a	17½
Nort S	20	14	¼	3	9-16	a	a	17½
Penney	30	10	2⅜	2	3⅝	a	a	31⅜
Penney	35	2	½	15	1¼	a	a	31⅜
Penney	40	5	⅛	a	a	b	b	31⅜
PhilPt	30	5	1⅜	a	a	a	a	30½
PhilPt	35	9	7-16	40	1 1-16	a	a	30½
Res OG	10	120	1 9-16	82	2 1-16	18	2⅜	10⅝
Res OG p	10	19	9-16	52	15-16	17	1	10⅝
Res OG	15	217	3-16	138	½	8	13-16	10⅝
Res OG p	15	a	a	a	a	5	4⅝	10⅝
Searle	10	3	2 1-16	4	2½	4	2⅞	11⅜
Searle	15	94	⅛	136	⅜	70	9-16	11⅜
Searle	20	a	a	8	1-16	b	b	11⅜
SimPat	10	61	7-16	51	⅞	45	1¼	9⅝
SimPat	15	14	1-16	8	⅛	b	b	9⅝
Sterlg	15	67	⅞	98	1⅜	18	1⅝	14¼
Sterlg	20	14	⅛	1	5-16	a	a	14¼
Tennco	30	98	1⅞	28	2⅞	b	b	30⅞
Tennco	30	b	b	b	b	16	2⅜	30⅞
Tennco	35	78	¼	70	½	a	a	30⅞
Tiger	20	30	4⅛	a	a	20	6⅛	23½
Tiger	25	246	1½	47	2⅞	1	3¼	23½
Tiger	30	100	½	63	1 1-16	b	b	23½
Tiger	35	6	⅛	3	7-16	b	b	23½
Zenith	10	a	a	2	3½	5	4	13¼
Zenith	15	31	½	28	13-16	23	1 5-16	13¼
Zenith	20	3	1-16	2	¼	b	b	13¼

Total volume 33,322 — Open Interest 1,030,600

a—Not traded. b—No option offered. p—Put. Sales in 100s. Last is premium (purchase price).

Insurance Stocks

AcdmyInsGp		1 11-16	1 15-16
AmBkrInsFla .32	119	7⅛	7¾+ ¾
ABkrLfFla .24	203	10	10½+ ⅝
AmCapitol .12e	z35	2⅜	2¾
AmCwlthFn		1⅜	1⅝
AmFidelLfe .08	24	8	8¼
AmGrtyFin s	5	5½	6
AmIncmLfe	19	23½	24½
AmIntlGrp .34	49	48½	49½
AmInvstLife .20e		3⅜	3⅞
AmNatlFinl .48	x49	11½	11⅞+ ¼
AmPioneer Cp		1¼	2
GovtEmp wt	80	1⅜	1⅞
GovEmp pf.74	49	13⅛	13½+ ⅜
GovtEmpLfe .40		13⅝	14⅛
GtSouthnCp 1.04	181	46½	47½+2½
GuarantyNatl .40	x20	12¾	13⅛
HanoverIns .36	16	24⅛	24⅝— ¼
HartfdStmBl 3.20		55¼	56¼
HomeBenef .84	15	20¾	21¾+ ¼
IndpLbtyLfe		1	1¾
IndepLfeAcc .96	36	16	16⅝
IndianaGrp .80	15	32	34 + ¼
IntrcontLfe .13e	z20	5⅛	5½
InterfincI 1	6	17¾	18½+ ¼
IntLfeHld	15	2½	3 + ⅛
InvHeritKy .24		11¾	12½
InvestorsIns		1 3-16	1 7-16
InvtInsHld .15e		7	8
JeffrsnNatLf .40	2	16⅝	16⅞
KansCityLfe 1.60	11	54¼	55¼+ ¼
KemperCorp 1.80	72	38	38¼+1
KyCentLfe .40	12	12¾	13¼+ ⅛
LamarLife .65		21¼	22¼
LibrtyNatLfe 1	51	21⅜	21⅞
LifeAm Bost .05e		2¾	3¼
LifeInsGa 1.44	5	30½	32½
LifeInvInc .16	29	9¾	10¼
Lifesurance		6½	7
LincIncLf .48a	z31	14	16
LoyalAmLfe .40e		16	17
MCMCorp .12a	z31	7½	7⅞
MassGen Lfe		3½	4¼
MercuryGenl .60	2	25½	27½
MeridnLfe .52	20	9	9¾
ModrnSecL .20e		1⅝	2⅛
MonarchCap .94	50	15½	16
MonumentCp .92	42	21	21¾
MotClAmIns .14		5¼	6
MutSavLfe .80		18⅛	18⅝
NNCorp 2	53	27¼	28
NatLifeFla .28	35	6⅜	7¼
NatOldLine .32	53	7	7¼
NatReservLf .50i	3	15¾	16¼
NatSecIns .12		13½	15
NatWestn Lf	223	7	7⅝
NationwideA .50	531	18⅛	18⅝
NJLife Co		1½	1⅞
NorthCentrl .25		16	18
NorNatLfe .10e		5	6½
NowstNatLfe .88	6	25¼	26
OhCasualty 1.12	94	25¼	25¾
OldRepInt .84b	35	20¾	21½
PacStd Life	10	2⅝	3
PenslrIns .08e	5	10	10¾
Penn Life	318	5⅝	6
PiedmtMan .14		6¼	7
PreferdRisk .40	21	12½	13½
Pres Life		5	5⅜
ProtectiveLfe 1.20	31	31¾	32½
ProvLfeAcc 1.08	x61	45	46½
ReliableLife 1e		18¾	19¾
RepbNatLfe .50	37	12⅛	12½
RyanIns Grp .16		19½	21½
SRICp 1.32	15	25½	27½
SafecoCorp 1.50	18	26¾	27¼
StPaulCos 1.80	235	33⅝	34⅛
SecurAmLfe .60b		11¼	12
SecurConn Lfe	6	19¾	21¼
SecurLfeAcc .46		16½	17½
SecurLfeGa .46	z8	10	10½
SoonerLfIn .20b		7¼	8¼
SouUnAla .15e		5½	5⅞
SouthlandFin .40	27	14⅝	15⅛
SowstnLife .88	13	18⅝	19⅝
SovereignCp .18e	91	4⅛	4½
StLifeIndiana .30a	13	15¾	16½
StatesmGrp .15b	35	6⅛	6⅝+ ⅛
TransprtLfe .32	40	9	9⅝+ ⅛
Unicoa	1	25	29
UnitDiversifd	2	¾	1⅛
UnFireCaslt 1		22½	24½
UnPresLfe s	3	4⅝	5⅜
UnitSvLf III		1½	2⅛
UnitSvcLife .72	56	15	15⅝+ ½
Vico Corp3c	z40	1	1⅛
WestnCasSur 1.40	130	30⅝	30⅝+1
WestnStaLfe 1.20		15	16
Windsor Lfe	7	1½	2
WldSvLfCol	1	4¼	4⅝— ⅛
ZenithNat Ins.10i	3	12¼	13¼
Zenith United		3	4½

Consolidated Trading Of NYSE Listings

Week Ended November 24, 1978

	Sales	High	Low	Last	Chge
Sears Roeb	965,600	21⅞	20	21½	+1¼
Gulf Oil	907,300	25½	24⅝	25¼	+⅜
Bally Mfe	850,200	41⅞	33¾	41⅝	+7⅝
Ramada In	181,700	9¾	8¼	9¾	+1½
Texaco Inc	794,600	25	23⅝	24⅞	+1
Exxon	753,800	50⅝	49⅞	50⅝	+¼
Caesars Wld	707,200	26½	16⅝	26½	+10⅝
Gen Motors	693,500	55½	54¼	55	+½
Rorer Gp	684,600	20½	18	20⅝	+⅛
Boeing	673,900	64⅞	61¼	64⅝	+1⅛
Pan Am	634,900	7⅛	6⅝	6⅞	unch
AT&T	531,600	62	60⅝	60¾	+⅜
UAL Inc	524,700	31¼	29⅝	31¼	+1⅛
Centso West	490,500	14⅝	14⅝	15¼	+¾
Avon Prod	487,000	53⅞	51½	52½	unch
Okla GE	460,100	16⅝	16⅜	16⅝	—⅛
Abbt Lab	457,600	32¾	32	32½	+¼
East Kodak	450,500	60½	58⅝	60½	+1⅞
Noeast Util	425,400	10	9⅛	10	+¾
Gen Tel&El	414,100	29	28⅛	28¾	+⅜

Issues Trades In: 2,074

Advances: 1,378 ; declines: 431 ; unchanged: 265

New highs: 32 ; new lows: 76

Volume

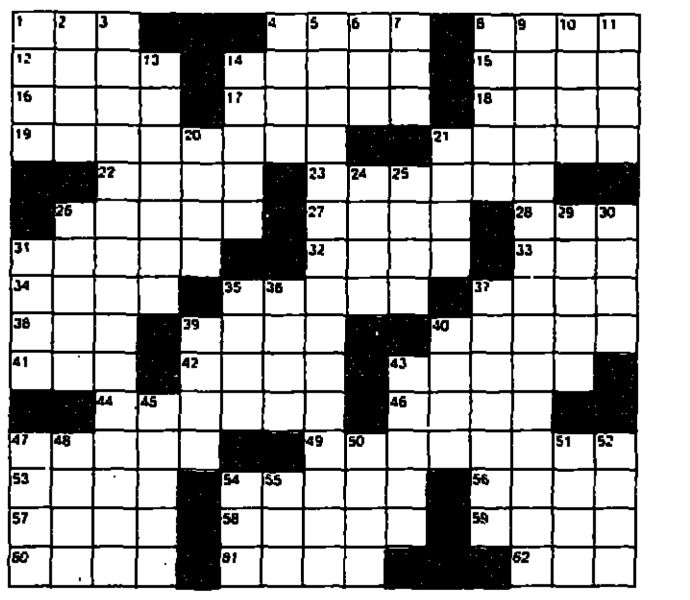
This week	79,790,000 shares
Last Week	124,360,000 shares
1977 same week	95,770,000 shares
1978 to date	6,628,944,131 shares
1977 to date	4,700,330,000 shares
1976 to date	4,694,895,000 shares

Treasury Bills

	Bid	Ask	Yld
Nov. 30	9.38	8.78	8.93
Dec. 7	9.21	8.69	8.83
Dec. 12	8.97	8.63	8.78
Dec. 14	9.19	8.69	8.85
Dec. 21	9.16	8.64	8.81
Dec. 28	8.94	8.46	8.64
Jan. 4, 1979	8.95	8.61	8.81
Jan. 9	8.90	8.56	8.77
Jan. 11	8.92	8.58	8.79
Jan. 18	8.92	8.60	8.83
Jan. 25	8.89	8.59	8.83
Feb. 1	8.89	8.63	8.89
Feb. 6	8.90	8.64	8.91
Feb. 8	8.87	8.63	8.90
Feb. 15	8.87	8.65	8.94
Feb. 22	8.86	8.78	9.09
Mar 1	8.99	8.77	9.10
Mar. 6	9.01	8.81	9.15
Mar. 8	8.97	8.77	9.11
Mar. 15	8.96	8.74	9.10
Mar. 22	9.01	8.79	9.17
Mar. 29	9.01	8.83	9.23
Apr. 3	9.11	8.95	9.37
Apr. 5	9.01	8.89	9.29
Apr. 12	9.01	8.85	9.28
Apr. 19	9.03	8.87	9.32
Apr. 26	9.05	8.91	9.38
May 1	9.16	9.04	9.53
May 10	9.17	9.05	9.54
May 17	9.19	9.09	9.62
May 24	9.28	9.26	9.84
May 29	9.19	9.09	9.63
June 26	9.26	9.17	9.76
July 24	9.34	9.26	9.87
Aug. 21	9.37	9.29	9.96
Sept. 18	9.35	9.25	9.96
Oct. 16	9.36	9.28	10.04
Nov. 13	9.33	9.29	10.01

CROSSWORD

By Eugene T. Maleska



ACROSS

1 Varnish ingredient
4 Bustle
8 "Ma—He's Making Eyes ——"
12 Woeful word
14 Simon's "—— Suite"
15 "Of —— I Sing"
16 Torn place
17 He wrote "Roots"
18 Get well
19 Explode
21 Temperamental
22 Son of Seth
23 "Animal Farm" author
26 Grease one's palm
27 Fruit-and-cream dessert
28 Oxbow, in Idaho
31 Agrees
32 Tug's salute
33 Opposite of massive
34 Côte d'——
35 Atlanta court team
37 Latvian capital
38 Neighbor of Aus.
39 Nomad of a sort
40 Old Scratch
41 Hog's home
42 Contemporary cartel
43 Blends
44 Largest of the Society Islands
46 Imitates
47 Earl "Fatha" Hines plays it
49 Gifted
53 Mimi or Norma
54 Salutes
56 Food staple in 44 Across
57 —— Glendower, Welsh rebel
58 Ecole attendee
59 Lapse
60 Days of yore
61 Zane Grey locale
62 Compass point

DOWN

1 Soft, white fat
2 To the downwind side
3 Chaucerian gem, with "The"
4 Skinny stick
5 Great novel of 1859, with "A"
6 Ending with lion and union
7 Writer Bradbury
8 City in Mass.
9 Novel by Arnold Bennett: 1908
10 Honey drink
11 Slithery
13 More hard-hearted
14 Aspect
20 Soho swells
21 Soften
24 Chess piece
25 Courts
26 "Carmen" composer
29 Protection
30 Chow or mess
31 Barbs; teeth
35 Indian of Arizona
36 Encourage
37 Takes offense
39 Sounds from Santa
40 Bamboozle
43 Like a sophist's argument
45 With regard to
47 Stage phone
48 Where the tall corn grows
50 Thomas —— Edison
51 Land of the banshees
52 Inside info
54 Kind of stitch
55 "Cakes and ——"

Mutual Funds

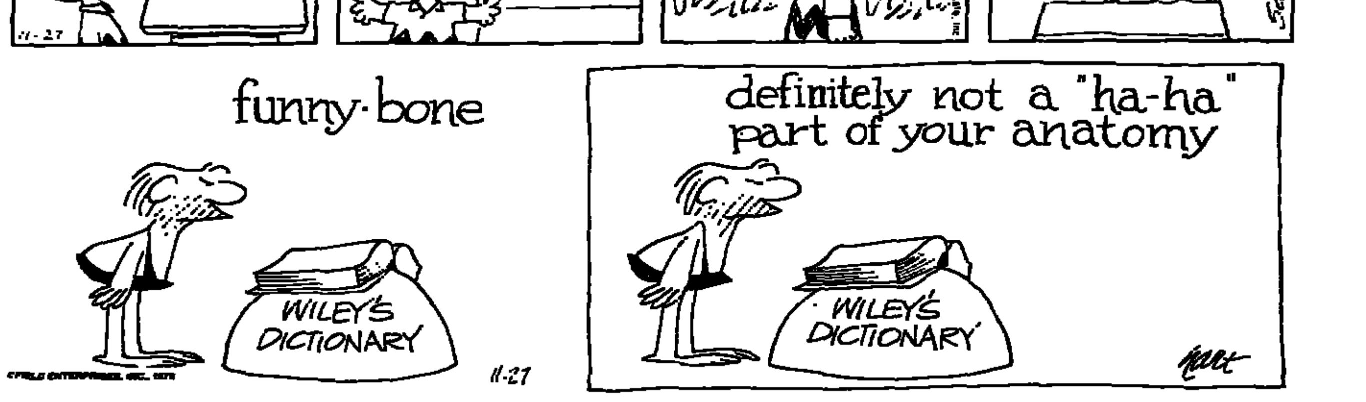
Closing Prices November 24, 1978

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

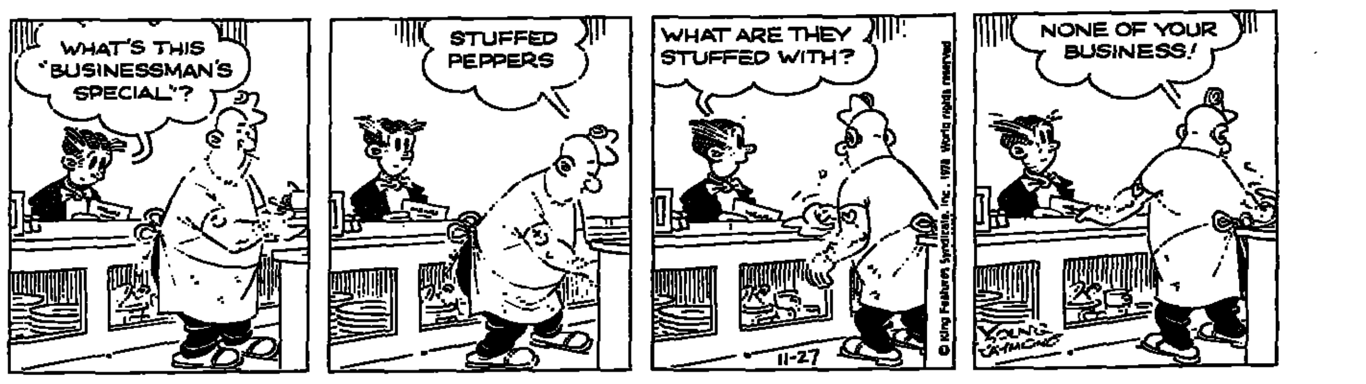
	Bid	Ask
AGEFd	4.49	4.58
AcornF	18.24	NL
AdvInv	10.27	NL
Afuture	11.59	NL
Allstate	9.08	NL
AlphaF	11.52	NL
ABirthT	9.55	10.44
American Funds:		
ABal	8.03	8.78
Amcp	7.85	8.58
AMutl	9.65	10.55
AnGth	6.75	7.38
Bond	14.04	15.34
CshMg	1.00	NL
FdInv	6.67	7.29
Grwth	6.80	7.43
Incom	7.80	8.52
ICA	14.90	16.28
NPers	5.90	6.45
WshMt	6.48	7.08
Amer General:		
MunB	23.62	24.80
CapBd	8.34	9.11
CapGth	4.05	4.43
Hi Yld	11.61	12.45
IncFd	6.02	6.58
Ventr	14.66	16.02
EqtGth	7.23	7.90
FdAm	6.48	7.08
Provid	3.68	3.97
AGthFd	6.03	6.50
AHeritg	unavail	
AInsInFd	unavail	
AInvest	5.78	NL
AInvInc	11.53	NL
ANtGth	unavail	
Amway	8.89	9.51
AOptEq	4.71	5.15
Axe Houghton:		
Fnd B	7.53	8.18
Incom	4.65	5.05
Stock	6.05	6.61
BLCGt	unavail	
BabsInc	1.67	NL
Babs Inv	9.68	NL
BeacGth	9.16	NL
BeacHill	9.32	NL
Berger Group:		
100 Fd	8.15	NL
101 Fd	9.60	NL
BerkCap	unavail	
Bondstk	5.40	5.90
BostFdn	9.13	9.98
Bull&Bear Gp:		
Capm	8.12	NL
Capit S	6.49	NL
Calvin Bullock:		
Bullck	12.11	13.23
Candn	7.14	7.80
Divid	2.61	2.86
Month	13.59	14.85
NtWS	9.06	9.90
NYVn	12.94	14.14
CGFund	10.17	10.99
CGIncm	7.83	8.46
CshRsM	1.00	NL
CapPres	1.00	NL
Cent CC	1.00	NL
CentShT	11.37	12.26
ChartFd	13.02	14.23
Chase Gr Bos:		
Fund	6.24	6.87
Front	4.12	4.50
Share	7.12	7.78
Specl	5.67	6.20
CheapD	11.40	NL
ChemFd	7.23	7.90
CNAMgt Fds:		
Librty	4.12	4.50
Manhat	2.57	2.81
Schus	9.45	10.33
Colonial Funds:		
Sen Sec	8.54	9.33
Fund	8.91	9.74
Grwth	4.56	4.98
Incom	8.33	9.10
Optn	10.21	11.16
Colu Gth	16.28	NL
Cwlth AB	.95	1.03
Cwlth C	1.38	1.49
Comp Bd	7.98	8.52
Comp Fd	7.16	7.70
Concord	13.13	NL
Cons Inv	9.25	9.62
Constel G	7.15	NL
Cont Mut	5.45	NL
CvYld Se	11.16	11.94
Ctry Cap	11.15	12.06
Dly Cash	1.00	NL
DlyIncm	1.00	NL
Delaware Group:		
Decat	11.24	12.28
Delaw	10.72	11.72
Delch	8.80	9.62
TxFre	8.95	9.37
Delta	5.13	5.61
Dir Cap	3.41	3.73
DodCxB	20.85	NL
DodCxSt	15.53	NL
Drex Bur	10.07	NL
Dreyfus Grp:		
Dreyf	12.26	13.40
Levge	14.71	16.08
Liq As	9.95	NL
NNine	6.74	NL
Spl Inc	6.87	NL
TxEm	14.84	NL
Thrd C	14.21	NL
Eagle Gr	10.26	11.21
Eaton&Howard:		
Balan	7.95	8.25
Fours	7.66	NL
Grwth	10.15	10.94
Incom	5.64	6.08
Specl	7.10	7.65
Stock	8.64	9.32
EDIE Sp	22.00	NL
EdsonG	9.25	NL
Elfun Tr	15.65	
Elfun Tx	9.46	
Fairfld	9.81	10.66
FrmBG	unavail	
Federated Funds:		
Am Ldr	7.67	8.20
Empir	18.50	
Four E	17.63	
Hilcm	13.40	14.33
MonM	.99	NL
MMM	1.00	NL
Optn	12.97	14.17
TxFre	12.12	NL
US Gvt	9.17	NL
Fidelity Group:		
Agres	9.45	NL
Bond	8.18	NL
Capit	7.90	8.63
Contfd	10.36	NL
Daily I	1.00	NL
Dstny	9.35	
Eq Inc	16.17	NL
Magel	32.01	
Mun Bd	9.56	NL
Fidel	15.83	17.30
Hi Yld	14.32	NL
LtMun	9.32	NL
Puritn	9.90	10.82
Salem	4.92	5.38
Thrift	9.82	NL
Trend	22.59	24.69
Financial Prog:		
Dyna	5.10	NL
Indust	4.00	NL
Incom	6.81	NL
Fst Investors:		
Bnd Ap	14.35	15.47
Disco	6.01	6.57
Grwth	7.55	8.25
Incom	7.96	8.70
Stock	7.82	8.55
FstMlt A	8.32	NL
FtMltDl	1.00	NL
Fst Var	10.00	NL
44Wall	11.78	NL
Fnd Gth	3.40	3.71
Founders Group:		
Grwth	4.76	5.20
Incom	11.73	12.82
Mutal	7.84	8.57
Specl	10.28	11.23
Franklin Group:		
Brown	3.44	3.71
DNTC	8.16	8.80
Grwth	6.16	6.64
Utils	4.72	5.09
Incom	1.71	1.84
US Gov	9.06	9.77
Capit	2.93	3.16
Equit	3.78	4.08
FrRsLq	unavail	
Fundpk	6.23	6.32
Fund Inc Grp:		
Comin	8.07	NL
Impac	7.76	7.96
Ind Tr	9.70	9.95
Pilot	7.95	NL
GTPac	16.49	NL
GateOp	15.13	NL
GES&S	25.88	
Gen Sec	10.45	NL
Grth Ind	20.68	NL
Hamilton:		
F HDA	4.05	4.42
Grwth	6.85	7.49
Incom	6.70	NL
Hart Gth	15.68	NL
Hart Lev	9.56	NL
High Yld	10.98	11.74
Holdg Tr	1.00	NL
Hor Man	unavail	
INAFd	11.33	12.15
ISI Group:		
Grwth	4.77	5.21
Incom	3.42	3.74
Trst sh	10.60	11.58
TrPaSh	2.86	
Industry	unavail	
Intcap	1.00	NL
Int Invst	9.33	10.20
Inv Guid	9.50	NL
Inv Indic	unavail	
Inv Bos	9.57	10.32
Investors Group:		
IDS Bd	5.51	5.71
IDS Grt	6.56	
IDS ndl	5.23	5.68
Mutl	8.66	9.42
Prog	3.39	3.68
TaxEx	4.67	4.86
Stock	17.26	18.76
Select	8.86	9.53
Var Py	6.80	7.40
Inv Rsch	6.14	6.71
Istel	22.10	22.78
Ivy	6.18	NL
JP Grth	10.34	11.24
Janus F	21.14	NL
John Hancock:		
Bond	18.02	19.59
Grwth	5.90	6.41
Balan	8.34	9.07
TaxEx		
	13.76	14.96
Johnstn	20.32	NL
Kemper Funds:		
Incm	10.08	10.72
Grow	8.35	9.13
Hi Yld	11.16	11.97
MonM	1.00	NL
MunB	10.20	10.71
Optn	12.82	14.01
Summ	13.60	14.86
Tech	8.03	8.78
TotR	9.36	10.12
Keystone Funds:		
Cus B1	16.84	17.58
Cus B2	18.39	20.10
Cus B4	8.16	8.92
Cus K1	7.11	7.77
Cus K2	5.19	5.67
Cus S1	17.26	18.86
Cus S3	7.53	8.23
Cus S4	4.66	5.09
Polar	3.17	3.47
Lexington Grp:		
Cp Ldr	12.57	13.83
Lex Gr	12.28	13.42
Lex In	9.80	10.71
Lex R	14.58	15.93
Life Ins	8.70	9.51
Lia Cap	10.00	NL
Loomis Sayles:		
Capit	12.72	NL
Mut	12.89	NL
Lord Abbett:		
Affltd	6.95	7.50
Bnd db	10.39	11.36
Dev Gt	15.05	16.45
Incom	3.19	3.44
Lutheran Bro:		
Fund	10.01	10.94
Incom	8.81	9.63
Muni	9.47	10.35
US Gov	9.37	10.24
Massachusett Co:		
Freed	7.56	8.26
Indep	8.33	9.10
Mass	10.76	11.76
FdInc	14.56	15.91
Mass Financl:		
MIT	9.57	10.32
MIG	8.89	9.58
MID	13.62	14.68
MFD	13.26	14.30
MCD	8.56	9.23
MFB	14.60	15.74
MMB	9.28	9.74
Mathers	15.97	NL
Merrill Lynch:		
Basic	9.45	9.84
Capit	13.34	13.90
EquiB	9.56	9.96
Hi Inc	unavail	
Muni	9.17	9.36
RdAst	1.00	NL
SpVal	8.58	8.94
Mid AM	unavail	
MONY F	unavail	
MSB Fd	14.40	NL
Mut Ben	8.88	9.70
MIF Fd	7.53	8.14
MIF Gth	4.23	4.57
Mutualof Omaha:		
Amer	11.09	11.61
Grwth	3.94	4.28
Incom	9.00	9.78
TxFre	14.03	15.25
Mut Shrs	33.68	NL
NEA Mut	7.74	NL
Natl Ind	11.31	NL
Nat Secur Ser:		
Balan	9.08	9.79
Bond	4.27	4.60
Divid	3.97	4.28
Grwth	5.67	6.11
Pf Stk	6.90	7.44
Incom	5.46	5.89
Stock	7.64	8.24
NELife Fund:		
Equit	17.11	18.60
Grwth	10.85	11.79
Incom	13.01	14.14
RetEq	15.38	16.72
Neuberger Berm:		
Enrgy	13.47	NL
Guard	25.55	NL
Partn	11.01	NL
New Wld	unavail	
NewtGt	12.87	NL
Newt Inc	9.12	NL
NichlFd	20.35	NL
Nomura	14.44	15.53
Noreast	13.77	NL
Nuveen	9.24	9.68
Omega	9.46	9.58
One Wm	14.48	NL
Oppenheimer Fd:		
Oppen	5.95	6.50
HiYld	22.82	24.47
IncBos	8.24	9.01
MonB	1.00	NL
Optn	22.44	24.52
TxFre	9.68	NL
AIM	10.09	11.03
Time	9.57	10.46
OTC Sec	unavail	
Param M	8.79	9.55
Penn Sq	7.14	NL
Penn Mu	4.97	NL
Phila	8.28	9.05
Phoe Cap	8.00	8.74
Phoen Fd	9.04	9.88
Pilgrim Grp:		
Pilg Fd	10.81	11.47
Mag C	3.37	3.58
Mag In	8.46	9.29
Pioneer Fund:		
Fund	14.50	15.85
II	8.61	9.41
Plan Inv	12.30	13.37
Pilgrth	unavail	
Plitrnd	unavail	
Price Funds:		
Grwth	10.95	NL
Incom	9.60	NL
N Era	11.23	NL
N Horiz	9.45	NL
Prime	10.00	NL
TxFre	9.74	NL
Pro Fund	6.48	NL
ProInc	9.99	NL
Pru SIP	unavail	
Putnam Funds:		
Conv	11.65	12.73
Equit	12.28	13.42
Georg	12.87	14.07
Grwth	10.99	12.01
HiYld	17.49	18.97
Incom	7.54	8.24
Invest	7.36	8.04
Optn	13.08	14.30
TxExt	22.13	23.23
Vista	11.91	13.02
Voyag	10.94	11.96
Rainbw	2.29	NL
Reserve	1.00	NL
Revere	5.14	NL
Safec Eql	unavail	
Safec Gth	unavail	
StPCap	8.50	9.04
StPGwt	9.25	9.84
Scudder Stevens:		
Com St	9.86	NL
Incom	13.30	NL
Intl Fd	14.65	NL
Man R	9.98	NL
MMB	9.75	NL
Specl	29.87	NL
Security Funds:		
Bond	9.40	9.67
Equiv	4.22	4.61
Invest	7.06	7.72
Ultra	12.06	13.18
Selected Funds:		
AmShs	6.84	NL
SplShs	12.15	NL
Sentinel Group:		
Apex	3.51	3.84
Balan	7.06	7.72
Com S	10.95	11.97
Grwth	8.47	9.26
Sequoia	21.66	NL
Sentry F	unavail	
Shareholders Gp:		
Cmstk	7.21	7.88
Entrp	5.73	6.26
Harbr	8.48	9.27
Legal	6.55	7.16
Pace	15.70	17.16
Shearson Funds:		
Appre	19.71	21.54
Incom	17.45	19.07
Invest	9.98	10.91
SierraG	9.88	NL
Sherm D	18.92	NL
Sigma Funds:		
Capit	9.46	10.56
Invest	9.86	10.78
Trust	8.67	9.48
Vent	8.18	8.94
SB Eqty	10.56	11.12
SB I&Gr	12.28	12.92
SoGen In	11.69	12.24
Sw Invs	unavail	
Swin Gt	unavail	
Sover In	11.36	12.41
State BondGr:		
Com F	4.25	4.64
Div Fd	4.69	5.13
Prog F	4.41	4.82
StFrm Gt	unavail	
SFrm Ba	unavail	
State St	44.85	45.30
Steadman Funds:		
Am Ind	2.14	NL
Asso F	.99	NL
Invest	1.19	NL
Ocean	5.65	NL
Stein Roe Fds:		
Balan	17.15	NL
Cap O	10.36	NL
Stock	11.95	NL
StratGth	16.91	NL
Survey F	9.49	10.37
TaxMgd	20.12	21.99
Templ Gt	15.55	16.99
Templ W	11.95	13.06
Temp Inv	1.00	NL
Trns Cap	7.37	8.01
Trns Invs	8.92	9.70
Trav Eq	11.14	12.17
Tudr Hd	17.85	NL
TwnC Gt	6.15	NL
TwnC Inc	8.73	NL
USAA Gt	7.61	NL
USAA Inc	10.92	NL
Unf Accu	3.81	NL
Unif Mut	8.20	NL
Union Svc Grp:		
Broad	10.73	11.55
Nat Inv	6.43	6.93
U Cap	12.89	13.90
Union	11.74	12.66
United Funds:		
Accm	6.46	7.06
Bond	6.90	7.54
Con Gr	9.04	9.88
Con Inc	9.08	9.92
Incom	9.33	10.20
Muni	9.25	9.64
Scien	6.29	6.87
Vang	5.84	6.38
Unit Svcs	1.83	NL
Value Line Fd:		
Val Li	8.39	8.61
Incom	5.31	5.40
LevGt	16.22	16.64
SplSit	5.24	5.37
Vance Sanders:		
Incom	12.85	14.04
Invest	6.98	7.63
Comm	6.64	7.26
Specl	11.28	12.33
Vanguard Group:		
Explr	26.63	NL
Fidx	13.25	NL
Ivest	8.83	NL
Morg	13.72	NL
W Shrt	14.81	NL
W Itrm	13.91	NL
W Long	13.55	NL
Wellsl	11.63	NL
Welltn	8.66	NL
West B	9.13	NL
Wh MM	9.96	NL
Windr	9.17	NL
Varin	unavail	
WallSt G	6.33	6.92
Wein Eq	15.57	NL
Wisc Inc	4.64	NL
Wood Struthers:		
deVeg	30.70	NL
Neuw	8.73	NL
Pine	10.00	NL

PEANUTS

B.C.



BLONDIE

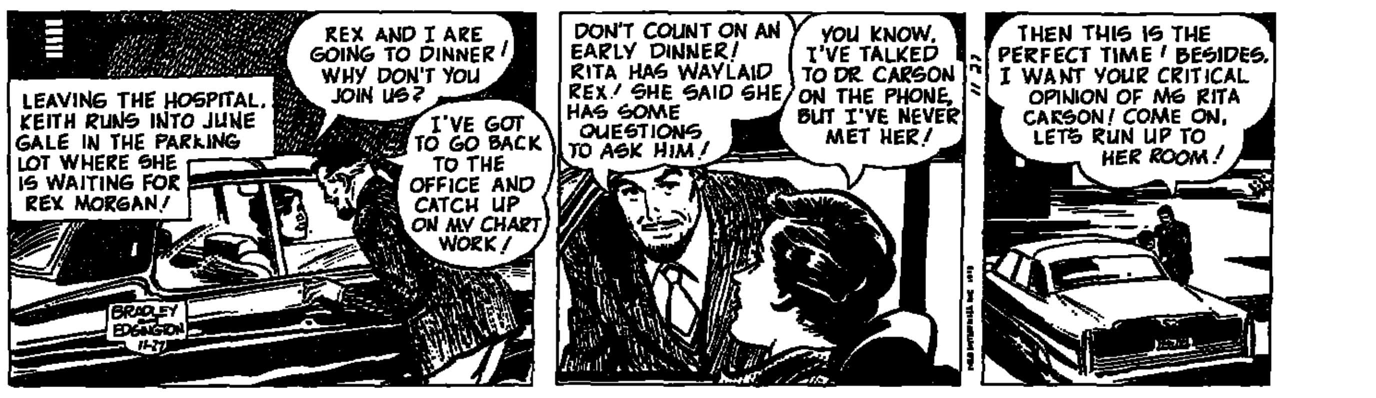


BEETLE BAILEY

ANDY CAPP

WIZARD of ID

REX MORGAN



RIP KIRBY

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

TOINX

LEETA

RAFTLE

MAIDDY

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: A "   "

(Answers tomorrow)

Saturday's Jumbles: LOWLY SHEAF GALLEY FINITE
Answer: A kind of "art" you might be surprised to find in a moving picture—"STILL" LIFE

DENNIS THE MENACE

"I TOLD HIM, DAD, BUT I GUESS CATS DON'T UNNERSTAND ABOUT RESERVED SEATS."

Imprimé par P.I.O. - 1, Bd. Ney Paris 75018

BOOKS

SEEING THROUGH CLOTHES

By Anne Hollander. Viking. Illustrated. 504 pp. $25.

Reviewed by Christopher Lehmann-Haupt

PERHAPS the most difficult thing about understanding any given event in the past is the need to identify and separate what preceded and followed that event. The shock of Ernest Hemingway's terse *prose style is incomprehensible* unless one mentally isolates it against a background of the florid writing that preceded it, just as the original stunning effect of Manet's famous "Olympia" will be lost on anyone who doesn't know that when it was *first exhibited*, a painted *nude had* never looked that way before.

To have made it clear why any number of nudes in history had never looked that way before is one of the many interesting accomplishments of Anne Hollander's new book, "Seeing Through Clothes," which might be loosely described as a history of fashion. It is also extremely thought-provoking on a number of other subjects: the "dialectic of cloth and body [as] the secret of Greek art;" the evolution of costume in the theater; why the color black keeps recurring as a form of antifashion (romantic *alienation; the avant-garde mocking* the formal rites of the bourgeois); why Flaubert and George Eliot are better writers than Poe and the Brontes; and how the advent of motion pictures changed our visual sense of space occupied by the human body.

But what, you may well ask, does Manet's "Olympia" have to do with the Brontes *as* writers, or the Brontes with the use of drapery in neoclassical art, or any of the above with the prose of Hemingway, which subject and its treatment at the start of this review are my contributions to the melange and not Mrs. Hollander's, though I suspect it was under the influence of her scattershot thinking that they were allowed to sneak in there? There are connections, as it turns out in the long run, but they are difficult *to discern the first time through* "Seeing Through Clothes."

Finding Images in Art

Indeed, in the short run it is hard to tell whether the book is saying anything substantial at all. In her preface, the author mumbles something about "the clothed figure [looking] more persuasive and comprehensible in art than it does in reality." Therefore, she goes on to say, it is in the visual arts, which these days include photography and cinematography, that people find the images that form their ide*als of fashion. But this thesis* appears to be a dead end. After all, how can we tell how the clothed figure looked in reality before the advent of photography, when the only representation of clothes exists in the ideal-reflecting visual arts?

What follows doesn't help. It isn't so much that the list of chapter titles — "Drapery," "Nudity," "Undress," Costume," "Dress" and "Mirrors" — fails to disclose any logical development in her argument. It's more that once we plunge into the early chapters, we find ourselves *badly* adrift. *No topic* sentences intervene to tell us where we have been or where we're headed. *It's impossible to say whether the* author is recounting history to substantiate her insights or whether her insights are merely decorations on her history. Even within her sentences it is easy to get lost: "A moral sense of the appropriate behavior of fabric in pictures and statues, and of its relation to the act of cloth itself, varies according to the prevailing standards of what is *'natural' and 'ideal.'* " Though concentration will eventually pry the light out of such a statement, this isn't the sort of prose one can read and think about at the same time.

Adorning the Psyche

How could such an opaque book have been written by such an obviously penetrating mind? One begins to get an inkling along about Chapter V, called "Dress." Here Mrs. Hollander finally comes to grips with the thesis adumbrated in *her preface — namely, that clothes* adorn the psyche as well as the flesh, and that it is the evolving pictorial environment, not simply the random tyranny of fashion designers, that shapes what the psyche finds acceptable to wear. Only now, because *she is dealing with* contemporary times, where the evidence of the difference between the visual ideal and the actuality lies all about her, she is able to back up her thesis with vigorously reasoned proof.

Why didn't she begin her book with this chapter, and then work her way back through history with the proof of her thesis firmly established? I have no idea, unless it was for the superficial reason that she meant to treat her subject chronologically. I *can only say that* "Seeing Through Clothes" makes more sense if you read Chapter V first, and then Chapters II, III, and I, in that order, and last of all Chapters IV and VI, where treatment of theatrical costumes and clothes in literature is simply decorative (although why clothes and literature are subsumed under the chapter *heading "Mirror" still escapes me*). It isn't that "Seeing Through Clothes" is a hopeless muddle. It's *just that you have to work a little to* extricate it from its angle.

Christopher Lehmann-Haupt is a book reviewer for The New York Times.

Solution to Friday's Puzzle

RAPS	HERA	MEND
ERIC	ODIST	OVER
INTHENICKOFTIME		
DECORATE	LIELOW	
HORNE	SELL	
STENO	DEPRESSOR	
MODERN	LEAD	LAE
IGOR	ALIEN	BITE
TAU	PROD	TBONES
ESTUARIES	EAGRE	
SPAN	TARTS	
SOWHAT	LASTSTOP	
THEELEVENTHHOUR		
ONER	DANCE	ENDO
WOKS	STER	DEEP

Heroin Traffic Rises, Chief of Interpol Says

PARIS, Nov. 26 (AP) — Worldwide trafficking of heroin increased considerably in the early part of this year compared with last year, *according to the secretary-general* of Interpol. But the smuggling of cocaine has declined dramatically, he said.

"We have witnessed a far lower seizure of heroin in the Far East, which has inevitably led to heavier trafficking, particularly between the Middle East and Europe," Andre Bossard said recently at a news conference.

Seizures of cocaine have tripled recently compared with last year, he said.

Without naming any specific period for the comparisons, Mr. Bossard *said that, in general,* the amount of trafficking in hard and soft drugs this year was roughly the same as last year.

Peking Said Building Underground City

HONG KONG, Nov. 26 (Reuters) — China is building an underground city in Peking, complete with hotels, hospitals, restaurants and workshops, the Chinese news agency said yesterday.

A spokesman for the municipal construction *department* said the underground buildings would be for production and daily life in time of peace, and in case of war, they could serve as air-raid shelters.

CHESS

By Robert Byrne

You would think that anyone who had just *finished* a grueling three-month world championship match would not want to see another chess board *for at least* another three months.

Yet Victor Korchnoi showed up to head the Swiss team in the recent World Chess Olympiad in Buenos Aires and wound up winning the gold medal for the best result at *board No. 1 with the* top score of 9-2.

Moreover, his last-round victory over the U.S. champion, Lubomir Kavalek, crimped American ambitions. Korchnoi's unusual opening system against the King's Indian Defense disconcerted Kavalek, who had gone undefeated up to then.

Korchnoi's 7 B-N5 is rare in *tournament play, but his 9 PxP,* PxB: 10 PxN, QxP was downright weird, producing a position difficult to evaluate. Whereas Kavalek no longer had a pawn center and did have a weak pawn at KR5, his KB bore down an open diagonal and he could *count on swift* development.

Kavelek should have opted for active counterplay with 13 . . . N-N3, forcing either 14 N-Q2, Q-N3; 15 O-O, P-KB4 or 14 P-B5, PxP; 15 QxBP, P-B3. Instead, his 13 . . . N-K4, *a purely defensive move,* did not dispute White's initiative.

On 14 NxN, it would have been dangerous to recapture with 14 . . . QxN because 15 P-B4, followed by 16 P-KB5, would have yielded chances to Korchnoi for a *kingside attack.*

Korchnoi's maneuvers on the kingside with 20 Q-R3 and 24 R-R5 guaranteed that he would win Black's foremost KRP.

Perhaps Kavalek could have put up a better fight with 28 . . . QxNP. In any case, after 28 . . . RxP; 29 B-B5ch, he could not rely on 29 . . . K-N2 because 30 RxR, QxR; 31 R-N4ch, K-B1; 32 QxPch, K-K2; 33 Q-R4ch!, P-B3; 34 Q-*R7ch* would have forced mate.

The bishop sacrifice with 32 B-K6 could not be accepted, because 32 . . . *PxB would* have permitted 33 RxRch, QxR; 34 Q-R6ch, K-K1; 35 QxPch, again forcing mate.

After 38 K-R3, it was vital to play 38 . . . P-R3. Missing that, Kavalek resigned on 41 QxQBPch because of 41 . . . K-K2; 42 R-*K8mate* or 41 . . . K-N4; 42 Q-R6mate.

KING'S INDIAN DEFENSE
White — Korchnoi
Black — Kavalek

1 P-Q4	P-KN3	21 R-KB3	Q-K2
2 P-K4	P-Q3	22 K-R1	R-N3
3 P-QB4	B-N2	23 R-B5	QR-KN1
4 N-QB3	N-KB3	24 R-R5	K-R2
5 B-K2	O-O	25 RxP/4	Q-N4
6 N-B3	P-K4	26 P-KN3	R-B3
7 B-N5	P-KR3	27 B-K2	Q-Q7
8 B-R4	P-KN4	28 B-N4	RxP
9 PxP	PxB	29 B-B5ch	K-R1
10 PxN	QxP	30 RxPch	K-N2
11 Q-Q2	B-K3	31 R-R7ch	K-B1
12 R-Q1	N-Q2	32 B-K6	R-N2
13 Q-K3	N-K4	33 R-R8ch	K-K2
14 NxN	PxN	34 B-B8	RxRch
15 N-Q5	BxN	35 QxR	Q-K5
16 BPxB	KR-Q1	36 B-B5	B-B4
17 O-O	B-B1	37 K-N2	Q-Q7ch
18 B-B4	B-Q3	38 K-R3	B-B7
19 R-Q3	K-R1	39 Q-N5	P-B3
20 Q-R3	R-KN1	40 QxPch	K-B2
		41 QxQBPch	Resigns

USC Edges Notre Dame on Kick; Michigan Wins Rose Bowl Berth

...eld Goal Good ...On Final Play

...S ANGELES, Nov. 26 (UPI) ...rank Jordan kicked a 37-yard ... goal with two seconds remain... ...ere yesterday to give the Uni... ...ty of Southern California a 27-... football victory over Notre ...e.

...ter Joe Montana passed two ...s to Pete Holohan for a touch... ...with 46 seconds left to put ...e Dame ahead, 25-24, the Tro... ...went 50 yards in four plays to ...Notre Dame 20, where Jordan ...ed his three-pointer.

...though the Irish lost, they ...d one of college football's ... comebacks this season, rally... ...rom a 24-6 deficit at the end of ... quarters, mostly on the strong ...of Montana.

...ere were only 44 seconds left ... USC, which faces Michigan ...e Rose Bowl, got the ball for ...ast time. A 10-yard pass from ... McDonald to Vic Rakhshani ...he ball on the Trojan 40. After ...Donald threw an incomplete ..., the junior left-hander com... ...d a 35-yard pass to Calvin ...ney that gave the Trojans the ...on the Irish 25.

...SC's Heisman Trophy candi... ..., Charles White, ran five yards ...e Notre Dame 20 with 12 sec... left and Jordan then was sum... ...ed off the bench.

... addition to his 2-yard touch... ...n pass to Holohan with two ...nds left, Montana had a 57-... touchdown pass to Kris ...nes at 2:34 of the fourth period ... cut the USC lead to 24-12.

...ith 3:01 remaining, Notre ...e crept within 24-19 on Pete ...hanan's 1-yard touchdown run ... capped a 14-play, 98-yard ...e featuring Montana comple... ...s of 20, 19, 18, 17 and 7 yards.

...fter the Buchanan touchdown, ...re Dame's defense held the ...ans without a first down and ...ty King had to punt. Notre ...ne got the ball back with 1:35 ...o on its own 43. The Irish went 57 yards in seven plays.

...lontana, who completed just 3 ...es for 62 yards in the first half, ... a strong second half. He com...ed 17 passes in the second half ... for the game was 20 of 41 for ... yards. McDonald was 17 of 29 ... 281 yards. Each quarterback ...ed for two touchdowns and intercepted once.

...hite, USC's brilliant junior ...ack, carried the ball 37 times ...205 yards and one touchdown.

...rdan kicked a 39-yard field ... in the second quarter but ...ed a 20-yard field goal attempt ... in the fourth quarter. He also ...ed an extra point conversion in ...first period.

Texas Tech 22, Houston 21

...t Lubbock, Texas, fullback ...es Hadnot, the Southwest ...nference's leading rusher, com...ed his first pass of the season to ...up a late touchdown and then ...ght a two-point conversion pass ...ive Texas Tech a 22-21 upset ... Houston.

...he loss prevented the Cougars ...n clinching a spot in the Cotton ...l. However, Houston can still ... the conference title and a trip ...he Cotton Bowl against Notre ...ne Jan. 1 if it defeats Rice in the ...rodome next Saturday. Houston ... be heavily favored but a Rice ...t could throw the conference ... into as much as a four-way tie.

...Hadnot's scoring climaxed a 87-... Texas Tech drive in the clos... minutes after Houston seemed ...its way to wrapping up its first ...isputed SWC championship.

...he surprising setback ended an ...-game winning streak, second ...gest in major college football, ... extended Tech's winning steak ...ix — a surprising turn of events ...e Tech had been picked as low ...eighth in the conference before ...season began.

Baylor 38, Texas 14

...t Waco, Texas, Mickey Elam ... Greg Wood each ran for one ...chdown and Wood passed for ...ther to lead Baylor to a 38-14 ...et of Texas.

...aylor opened a 28-0 halftime ...l, preventing Texas from enter... Bear territory until early in the ...d period.

...aylor, which began the season ...a solid chance of capturing the ...C title, had been a dispppoint... ...t until yesterday's game. The ...rs entered the game with a 2-8 ...son record and were 2-5 in ...ue play. Texas, which has won ...erth in the Sun Bowl against ...ryland, is 7-3 overall.

...ollege Football

East

...ate 14, Rutgers 9
...ware 42, Jacksonville St. 27
... Cross 20, Connecticut 16
...sachusetts 27, Boston Coll. 0
...ple 27, Villanova 17

South

...innati 34, Memphis St. 14
...son 41, South Carolina 23
...da A&M 27, Bethune-Cookman 17
...da St. 38, Florida 21
...mbling 28, Southern 15
...mi, Fla. 21, Syracuse 9
... 27, Miss. St. 7
...h Carolina 16, Duke 15
...rolina St. 24, Virginia 21
...essee 29, Kentucky 14

Midwest

...igan 14, Ohio St. 3
...igan St. 42, Iowa 7
...inois 22, Ohio U. 14
...ue 20, Indiana 7
...onsin 48, Minnesota 10

Southwest

...ansas 27, SMU 14
...ona St. 18, Arizona 17
...lor 38, Texas 14
...s A&M 15, TCU 7
...s Tech 22, Houston 21
... 40, Tulane 21
...ming 51, Tex.-El Paso 21

West

...gon 24, Oregon St. 3
... 27, Notre Dame 25
... 23, Utah St. 28
...hington 38, Washington St. 8

Associated Press

Frank Jordan is carried off the field by his teammates after he kicked the field goal that beat Notre Dame, 27-25.

An Old Quarterback Offers Some Advice

By Red Smith

NEW YORK, Nov. 26 (NYT) — Benny Friedman was watching on television when Richard Todd, in his first game with the New York Jets after repairs to a broken collarbone, ran a quarterback draw play, gained seven yards and was squashed. Friedman winced when a brace of Philadelphia Eagles landed on Todd. Later when he learned that the recycled collarbone had been cracked again, he shook his head. "It hurts me," he said. "It happens somewhere every Sunday and it isn't necessary at all."

When Benny Friedman made All-America at Michigan as the best quarterback and forward passer of his time, tacklers in the Big 10 jumped on him regularly but he always got up. In 1927 he joined the Cleveland Bulldogs of the National League and with 16 comrades played a 23-game schedule. In 1928 he was one of the 17 members of the Detroit Wolverines. Then he did three years with the New York Giants, who had 19 players, and two with the Brooklyn Dodgers. Because Sunday games were illegal in Pennsylvania, he sometimes played 60 minutes against the Frankford Yellowjackets in Philadelphia on a Saturday and 60 minutes the next day in Cleveland.

In all those years and all those games he did not lose a tooth or gain a broken nose. He believes he knows why, but coaches do not refer to the Stone Age for advice. "Don't call us," they say. "We'll call you — when we decide to put in the Minnesota Shift."

Namath's Lesson

"We are all creatures of habit," Benny said, "and we do what comes naturally. I saw Joe Namath knocked on his tail, put a hand down to break his fall and he broke his wrist. Later Terry Hanratty of Pittsburgh did the same thing and was out five weeks with a sprained wrist.

"It's natural to try to break a fall. We do it instinctively, but at Michigan we had a drill, falling on the ball. We reached for the ball with both hands as we dove for it, scooped it in against the belly and curled into the fetal position. When you're rolled up compactly, nothing's going to happen to you, but you have to do the drill until it all becomes instinctive.

"When the quarterback carries the ball today I see him go to the ground like a base-runner sliding into second. He winds up all sprawled out and defenseless, just asking for an injury.

"I was watching Nebraska and Oklahoma. That Billy Sims of Oklahoma broke off tackle and got to the four-yard line. Then he went down with the ball in one hand and the other hand down to break his fall. He lost the ball and the ballgame. It's axiomatic that when you go to the ground you have both hands on the ball.

Time to Fidget

"Now, on pass plays the quarterback must drop back to a specific place so his blockers know where to set up the pocket for him. He sets up on his right foot and times his pass. Every pass has to be timed. So often, though, you see the quarterback drop back and begin to fidget. He throws the ball and immediately he becomes the best spectator in the park, craning to see if the pass is completed. He's standing up there at his full height with his left leg extended and one of those monsters hits it. The knee is bound to bend the wrong way.

"If the quarterback will follow through when he throws, it will leave him in a half-crouch with both knees flexed. Then if he's hit, the knees will give with the shock and he won't be hurt.

"The rushers are converging on the spot where he stands in the pocket. His follow-through takes him a yard ahead of that spot, and in the crouch he's six inches shorter than he was. The target has moved and got smaller.

"How often do you see a passer fake with his head? Only on screen passes, I think. When he has the screen set up he may look in one direction and then throw in the other. I have pretty good peripheral vision. I could look straight downfield and see the receivers on the left and right. When you can do that you can fake to the right with your head and right foot, then drop back and throw to the left.

Till the Last Instant

"Ideally, the quarterback wants to get rid of the ball as soon as possible but some of them try to wait till the last split second. It gives me fits to watch a guy wait and wait and wait while a receiver gets open, and when he finally throws, the defense has caught up and the receiver is covered.

"What bothers me most, though, is the injuries, the unnecessary injuries. If you ask a player today how often he practiced falling on the ball he'd think you were off your trolley. All over the country these kids are doing what comes naturally, and winding up in the hospital.

"When I had summer camps for kid quarterbacks, I'd tell them, 'Be selfish. Take care of yourself first'."

NHL Standings

CAMPBELL CONFERENCE

Patrick Division

	W	L	T	Pts.	GF	GA
Atlanta	15	5	2	32	99	66
NY Islanders	14	3	3	31	93	60
NY Rangers	11	4	4	26	73	46
Philadelphia	11	7	4	26	70	63

Smythe Division

	W	L	T	Pts.	GF	GA
Chicago	8	5	4	20	66	74
Vancouver	8	13	1	17	73	86
St. Louis	5	14	4	14	74	110
Colorado	4	14	4	12	64	105

WALES CONFERENCE

Norris Division

	W	L	T	Pts.	GF	GA
Montreal	14	6	2	30	90	64
Los Angeles	10	8	1	21	75	62
Detroit	5	10	5	15	65	77
Washington	5	12	4	14	57	86
Pittsburgh	5	12	3	13	65	75

Adams Division

	W	L	T	Pts.	GF	GA
Boston	11	4	5	27	87	63
Toronto	10	8	4	24	68	64
Buffalo	7	7	6	20	59	54
Minnesota	5	13	2	12	53	78

Friday's Results

Philadelphia 4, Minnesota 3
Atlanta 4, St. Louis 1

Saturday's Results

Colorado 6, Toronto 3
Philadelphia 3, Pittsburgh 1
Chicago 8, Montreal 3
Boston 5, Washington 5, tie
St. Louis 4, Detroit 0
Los Angeles 4, Minnesota 1
N.Y. Islanders 5, Vancouver 2

WHA Standings

	W	L	T	Pts.	GF	GA
Cincinnati	12	8	2	26	90	83
New England	10	6	4	24	86	75
Quebec	10	9	1	21	80	75
Edmonton	10	8	0	20	64	59
Winnipeg	9	9	2	20	84	74
Birmingham	8	9	1	17	73	82
Indianapolis	3	13	2	8	52	91

Friday's Results

Cincinnati 8, Indianapolis 5
Edmonton 4, Quebec 3 (ot)

Saturday's Results

Indianapolis 6, Cincinnati 3
New England 5, Birmingham 2

Sooner Guard Honored

OKLAHOMA CITY, Nov. 26 (UPI) — Oklahoma offensive guard Greg Roberts, a 6-foot-3-inch, 240-pound senior, was named today as the winner of the Outland Award as the outstanding interior lineman in collegiate football.

Leach's Passes Beat Ohio State

COLUMBUS, Ohio, Nov. 26 (UPI) — Quarterback Rick Leach passed for two touchdown here yesterday to give Michigan a 14-3 victory over Ohio State, a share of the Big Ten title and a Rose Bowl berth against Southern California.

Leach, one of the leading contenders for this year's Heisman Trophy, hit wide receiver Rodney Feaster with a 30-yard scoring pass late in the first quarter to overcome a 3-0 Ohio State lead. He then found tailback Roosevelt Smith with an 11-yard scoring pass late in the third quarter.

It was the third consecutive season that Michigan — which finished at 10-1 and shared the Big Ten championship with Michigan State at 7-1 — beat Ohio State in the game that decided the conference representative in the Rose Bowl.

Ohio State, which wound up the regular season 7-3-1 and 6-2 in league play, will meet Clemson in the Gator Bowl.

The Buckeyes, who have not scored a touchdown in the last three games against Michigan, had several scoring opportunities, but a combination of a tough Wolverine defense and Ohio State mistakes kept them from crossing the goal line.

The two touchdown passes by Leach, who completed 11 of 21 passes for 166 yards, were the 46th and 47th of his career and increased his NCAA record of touchdowns accounted for by passing and running to 81.

Michigan State 42, Iowa 7

At East Lansing, Mich., quarterback Ed Smith threw three touchdown passes and tailback Steve Smith scored twice as Michigan State ended three years of NCAA-imposed probation and captured a share of the Big Ten title with a 42-7 triumph over Iowa.

Because of the probation, Michigan State is ineligible for a bowl game.

Smith hit flanker Kirk Gibson with a 54-yard touchdown pass on Michigan State's third play of the game, touching off the kind of scoring romp that has given the Spartans their most successful season since 1966.

Michigan State finished the season with an 8-3 overall mark and a 7-1 Big Ten record, good for a first-place tie with Rose Bowl-bound Michigan. Iowa, whose head coach, Bob Commings, said earlier in the week that he expects to be fired soon, sagged to 2-9 on the year and 2-6 in conference play.

Purdue 20, Indiana 7

At West Lafayette, Ind., reserves Ben McCall and Wally Jones each scored a touchdown and Scott Sovereen kicked two field goals to give Purdue a 20-7 victory over Indiana and regain the "Old Oaken Bucket."

Purdue's quarterback, Mark Herrmann, who was injured early in the Michigan game a week ago and listed as questionable for this contest, played the entire game, completing 9 of 18 passes for 135 yards.

Purdue finished the season at 8-2-1 and was 6-1-1 in league play. Indiana was 4-7 overall and 3-5 in the Big Ten.

North Carolina St. 24, Virginia 21

At Charlottesville, Va., sophomore Curtis Rein, the brother of North Carolina State's coach, returned a punt 50 yards for a touchdown with 4:57 left to give the Wolfpack a come-from-behind 24-21 victory over Virginia.

Rein's touchdown came just four plays after the Cavaliers, 2-9, stopped the Wolfpack, 8-3, on downs just inches from the goal line.

Transactions

FOOTBALL

National Football League

SAN FRANCISCO 49ERS—Signed Ricky Odom, cornerback. Released Tony Leonard, cornerback.

MIAMI DOLPHINS—Placed guard Ed Newman on injured reserve and signed free agent center-guard Melvin Mitchell.

HOCKEY

National Hockey League

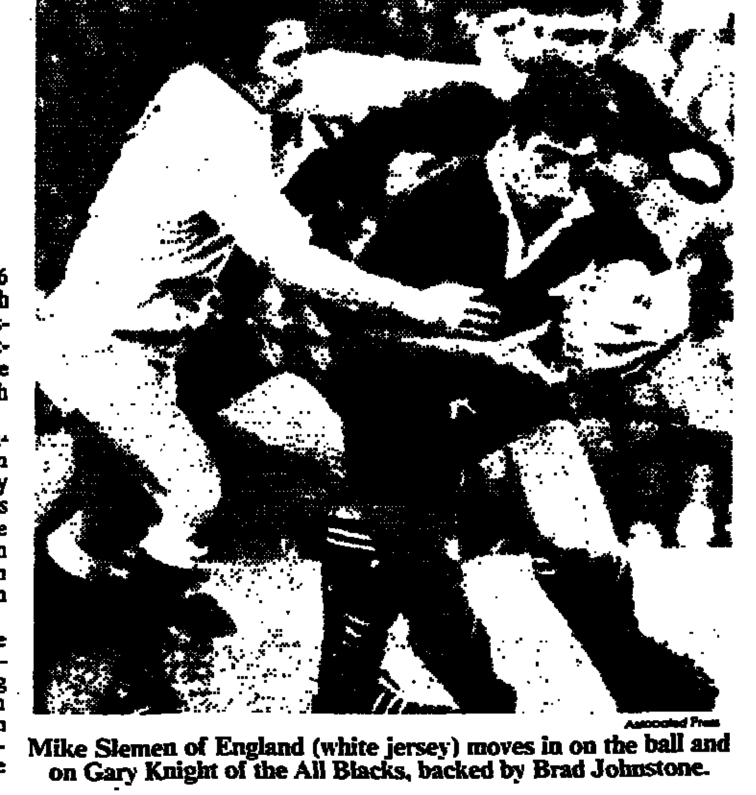
COLORADO ROCKIES—Named Aldo Guidolin head coach, replacing Pat Kelly.

SOCCER

North American Soccer League

NEW YORK COSMOS—Purchased left back Francisco Das Chagas Marinho from Fluminense of Brazil.

CHICAGO STING—Purchased the contract of British goalie Mike Mahoney from New Castle United.



Associated Press

Mike Slemen of England (white jersey) moves in on the ball and on Gary Knight of the All Blacks, backed by Brad Johnstone.

All Blacks Triumph Over England, 16-6

By Bob Donahue

LONDON, Nov. 26 (IHT) — The polished All Blacks hammered England's rugby forwards, shredded its backfield and chilled a full house of 70,000 at Twickenham yesterday. New Zealand's winning score of 16-6 could have been much bigger.

Since November last year when they played in Paris, Graham Mourie's All Blacks have now beaten France, Ireland, Wales and England without allowing a try.

The three test-match victories in the present nine-week tour of Britain and Ireland mean that these New Zealanders are almost certain to become the first All Blacks since tours to the British Isles started — in the winter of 1905-1906 — to achieve a grand slam of four test victories.

Scotland will decide it on Dec. 9, a week before the tour ends. It is 40 years since the Scots beat Ireland, Wales and England in the same season — as New Zealand has just done.

A brisk, clear morning turned into a cold afternoon of gathering cloud, and the sun soon dropped behind Twickenham's West Stand. In the north wind, All Black pressure and English inadequacy were as relentless as the interminable dusk.

England's points came from a drop and penalty goal by fullback Dusty Hare in the first half-hour. His third and last shot, a penalty kick from afar after 29 minutes in the second half, bounced back off the crossbar. Compared with England's three attempts, New Zealand was able to make 10 (7 penalties and 3 drops), a statistic that tells succinctly who had the territorial advantage.

Hare's drop, from 40 meters after a lineout penalty, was all the reward that England deserved for a strong start that was patently not strong enough. England lost and New Zealand won their first lineouts, respectively. England was in trouble at its first scrum. English hooker Peter Wheeler was offside at a ruck under New Zealand's posts, setting the pattern for 88 minutes of English errors-when-it-mattered.

New Zealand made mistakes, too — as when center Bill Osborne wasted a monumental overlap early on, or when fullback Brian McKechnie missed two easy penalty kicks in the first 23 minutes. But no matter. Twickers was a jumbo jet packed with art lovers — and the dogfight on show was Black Chopper vs. The Featherstone Kite Openwork Basket-Weave Mark Two Gentleman's Flying Machine.

Both New Zealand's tries came from politely offered ball at English lineouts. Lock Frank Oliver stomped through after 19 minutes; McKechnie missed the conversion. Prop Brad Johnstone lunged through after 37 minutes; McKechnie kicked the conversion. Score at halftime: 10-6 for Chopper.

Ominously indeed, the first of the game's nine interruptions for injury — there were no replacements; Scottish referee Norman Sanson added four minutes of injury time to each half — was for Roger Uttley, the former English captain who was resuming international play after a full season missed with spine trouble. He seemed a shadow of the inspirational leader of two seasons ago.

The All Blacks were everywhere, singly or, most often, in unstoppable bunches, as the circumstances required. Aside from much of their rucking and lineout work, and the line-kicking of flyhalf Doug Bruce, they did little worth remembering.

The latest threequarter fad is to bring the wings into the line. Stu Wilson and the eternal Bryan Williams do this trick as well as anyone, but it makes for 13-man congestion and not the 15-man rugby that coach Jack Gleeson so eloquently affects. But perhaps he is talking about 14 flankers and a kicking flyhalf.

In the second half, if it must be told, McKechnie kicked two penalties and missed one, Williams missed one. Bruce was not even close with two attempted drops, and England's Hare hit that crossbar. One supposed that many of the 70,000 passengers were sorry to have wasted their time, not to mention the millions around the world who watched on television.

Yet this match had looked like perhaps the best that world rugby could offer right now. And when the French go to New Zealand in June, the All Blacks (who lost the first test before winning the second one on France last year) will tout an imaginary "world championship."

Said French prop Robert Paparemborde: "It wasn't much of a match, but I'm glad a lot of Frenchmen watched it. Now they know France isn't so bad."

Skiers Get Snow

VAL D'ISERE, France, Nov. 26 (UPI) - Relieved organizers of the World Cup ski competition watched winter's first snow falling heavily here today and announced that the opening races of the season would be held Dec. 6 to 10 as scheduled.

Rams Are Upset By the Browns

From Wire Dispatches

CLEVELAND, Nov. 26 — Brian Sipe hit on 15 of 23 passes for 246 yards and a touchdown and Greg Pruitt ran 57 yards for another score today to spark the Cleveland Browns to a 30-19 National Football League upset of the Los Angeles Rams.

The Browns, who had not beaten Los Angeles since 1963, spotted the Rams a 3-0 lead in the first period but bounced back with a 41-yard field goal by Don Cockroft and a 9-yard scoring run by tight end Ozzie Newsome to take a 10-3 lead.

After Frank Corral's 46-yard field goal in the first half, the Rams moved 76 yards to the Cleveland 2-yard line with quarterback Pat Haden leading the drive with a 22-yard run.

But the Browns' defense stiffened and three plays later the Rams were back on the Cleveland 16 when John Cappelletti lost a yard on a run. Haden was then dropped for a 3-yard loss and wide receiver Billy Waddy was called for offensive interference after taking a Hayden pass in the end zone.

Cleveland tackle Earl Edwards blocked a Corral field goal attempt and the Browns moved 63 yards in six plays, with Mike Pruitt going over from a yard out with 59 seconds left in the first half to give the Browns a 17-6 lead.

Jets 24, Dolphins 13

At Miami, Matt Robinson had the best passing day of his career and Bob Griese was intercepted three times and lost a fumble as the New York Jets dealt the Miami Dolphins a 24-13 loss and a severe blow to their playoff hopes.

Robinson, a second-year pro, completed 17 of 26 passes for 257 yards, including a 33-yard touchdown pass to Wesley Walker. Darnell Powell scored on a three-yard run and Kevin Long added a two-yard touchdown plunge for the Jets.

A Bob Martin interception in the third quarter set up Long's touchdown, giving the Jets a 17-6 lead. Joe Pellegrini's recovery of a Griese fumble in the fourth quarter set up Robinson's pass to Walker.

The loss, the second to the Jets, dropped Miami to 8-5. The surprising Jets boosted their record to 7-6.

Griese, replaced by backup Don Strock in the final eight minutes, finished with 14 completed passes in 25 attempts, for 112 yards.

Pat Leahy kicked a 19-yard field goal for New York, and Garo Yepremian kicked field goals of 46 and 38 yards. Strock completed a 13-yard touchdown pass to rookie tight end Bruce Hardy in the final two minutes.

Falcons 20, Saints 17

At Atlanta, Steve Bartkowski threw a 5-yard touchdown pass to Jim Mitchell with five seconds remaining in the game as the Atlanta Falcons defeated the New Orleans Saints, 20-17.

The scoring play capped a 72-yard drive on seven plays that started with only 53 seconds left in the game and lifted the Falcons to an 8-5 record for the season.

A pass interference call on Maurice Spencer of the Saints in the end zone gave Atlanta the ball on the 1-yard line with 10 seconds remaining. Ralph McGill had intercepted Bartkowski's pass on the interference call, which produced a 24-yard penalty.

The Saints, 5-8, scored on a 71-yard pass play from Archie Manning to Larry Hardy, a 28-yard run by Chuck Muncie and an 18-yard field goal by Steve Mike-Mayer.

Two weeks ago, Atlanta trailed 17-6 with one minute remaining and scored two touchdowns, the last on a tipped pass play that covered 57 yards from Bartkowski to Alfred Jackson. That also was a 20-17 score.

Bills 41, Giants 17

At Orchard Park, rookie Terry Miller ran for 208 yards and two touchdowns to pull the Buffalo Bills out of a four-game losing streak with a 41-17 victory over the New York Giants.

Miller, the Oklahoma State running back who was Buffalo's top draft choice, capped the first 100-yard-plus day of his brief NFL career with a 13-yard touchdown run nine seconds before the end of the game as the Bills handed the Giants their fifth consecutive defeat.

Miller, who carried 21 times as Buffalo rolled up 366 yards on the ground, scored his first touchdown on a 39-yard dash around right end with 3:30 left in the game.

Those touchdowns marked a 27-point final quarter as the Bills rallied from a 17-7 deficit early in the second half.

Roland Hooks gained 115 yards in 12 carries to give Buffalo two backs who gained over 100 yards each for the first time in two years.

The Bills fell behind by 10 points with 5:54 gone in the third quarter when Joe Pisarcik connected on a 19-yard touchdown pass to Doug Kotar. From then on it was all Buffalo.

College Basketball

TOURNAMENTS

Seawolf Classic

Texas A&M 54, Indiana 49
N. Caro. St. 91, Pepperdine 62

Brown Tip-Off Tournament

New Hampshire 58, Brown 56
Siena 75, Northeastern 70

Virginia Tip-Off Tournament

James Madison 82, Geo. Washington 62
Virginia 81, Va.-Commonwealth 60

Lapchick Memorial

St. Johns 108, Wagner 91
Alabama 110, American 87

Spider Classic

Vanderbilt 70, Richmond 59

New Orleans Classic

N. Texas St. 85, Tenn. Tech 83
Fairfield 58, New Orleans 51

Charlotte Invitational

Long Island 81, Canisius 79
Davidson 84, Connecticut 81

Scottish Soccer Referee Suspended Over Gifts

GLASGOW, Nov. 26 (AP) — John Gordon, a Scottish soccer referee, faces a possible life ban for allegedly accepting gifts from AC Milan before a UEFA Cup game.

The Scottish Football Association has suspended him — together with linesmen Rollo Kyle and David McCartney — until its referees' committee has considered the matter. Meanwhile, Ernie Walker, secretary of the Scottish association, said he was astonished at the leniency shown by UEFA toward AC Milan, which was fined $11,000.

Gordon, Kyle and McCartney allegedly were taken on a shopping trip by AC Milan and given clothing worth about $600 before the match against Levski Spartak of Bulgaria. Gordon would not comment on the matter, but British reports said he has refused to send the clothes back.

Milan defeated Levski, 3-0, in the match refereed by Gordon last month.

Walker said, "The rules about taking gifts are quite clear. Gifts must only be accepted after a match is over and must not be excessive. I have spoken to the three officials, and the referee confirmed that he and the linesmen received these gifts."

In Milan, officials of the club announced that they will discontinue the practice of giving "courtesy gifts" to referees and officials of opposing teams.

"It was a common policy of Milan and other European clubs to give courtesies to referees and club officials before cup matches," Felice Colombo, president of the Milan club, said.

Colombo added that he had never thought that a gift could change the outcome of a game.

"We presented a silver plate to the president of Levski and never thought this would have induced the opponent team into playing less hard to beat us," Colombo said.

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Philadelphia	12	5	.706	—
Washington	13	7	.650	½
New Jersey	13	9	.591	1½
New York	12	9	.571	2
Boston	5	13	.278	7½

Central Division

	W	L	Pct.	GB
Atlanta	11	8	.579	—
San Antonio	10	10	.500	1½
Houston	8	9	.471	2
New Orleans	8	14	.364	4½
Detroit	7	13	.350	4½
Cleveland	6	14	.300	5½

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Kansas City	11	8	.579	—
Denver	10	11	.476	2
Milwaukee	8	15	.348	5
Indiana	6	13	.316	5
Chicago	5	15	.250	6½

Pacific Division

	W	L	Pct.	GB
Seattle	15	4	.789	—
Los Angeles	15	6	.714	1
Phoenix	15	6	.714	1
Golden State	11	9	.550	4½
Portland	11	10	.524	5
San Diego	10	14	.417	7½

Friday's Results

Boston 109, New York 98
New Jersey 103, New Orleans 100
Philadelphia 134, San Diego 120
Washington 113, Los Angeles 103
Detroit 119, Atlanta 117 (ot)
Cleveland 104, Indiana 99
Phoenix 120, Houston 113
Chicago 100, Portland 99
Denver 103, Seattle 100

Saturday's Results

New York 103, New Orleans 96
Atlanta 109, Los Angeles 103
Milwaukee 127, Philadelphia 126
San Antonio 151, New Jersey 110
San Diego 87, Kansas City 86
Seattle 110, Denver 104
Portland 127, Houston 105

Associated Press

Ilie Nastase supports himself with one hand while returning a shot to beat Victor Amaya in a Japanese tournament.

Fleming Downs Panatta for Bologna Tennis Title

BOLOGNA, Nov. 26 (UPI) — Peter Fleming downed Adriano Panatta, 6-2, 7-6, here yesterday to win the singles title in an Italian indoor tennis tournament.

Fleming, whose defeat of John McEnroe in Friday's semifinals was the biggest surprise of the tournament, later teamed with McEnroe in the doubles to defeat Tonino Zugarelli and Roger Maillet, 6-1, 6-4.

Using strong serves, frequent smashes and consistent volleying, Fleming quickly established his dominance over Panatta.

Connors Wins

TOKYO, Nov. 26 (AP) — Jimmy Connors beat Ilie Nastase, 6-2, 6-4, today in Kobe to capture the men's singles title in a tennis tournament.

Pat DuPre and Victor Amaya won the men's doubles title by beating Nastase and John Austin, 4-6, 6-4, 6-1.

Noah Beats Feigl

MANILA, Nov. 26 (AP) — Yannick Noah beat Peter Feigl, 7-6, 6-0, here today after the Austrian player sprained his right ankle during the first-set tie-breaker in the finals of the Philippine International tennis tournament.

The victory was Noah's first major one as a pro. "I feel happy for my victory but it is very unfortunate for the crowd," said the 18-year-old Noah, who turned professional 20 months ago.